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# Why the U.K. Adaptation Right Is Superior to the U.S. Derivative Work Right

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# Why the U.K. Adaptation Right Is Superior to the U.S. Derivative Work Right

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The author's exclusive right to prepare derivative works is one of the most maligned doctrines in modern U.S. copyright.<sup>1</sup> Lying at the root of this dissatisfaction is the Copyright Act's expansive conception of derivative works. The statute defines this term as "a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed, or adapted."<sup>2</sup> Courts apply the final clause of this definition (i.e. the "in any other form" language) very broadly, thus allowing the author control over an ever-expanding range of new adaptations. Controversially, courts have held the following types of activities to create derivative works: writing a trivia quiz book based on the TV show *Seinfeld*;<sup>3</sup> manufacturing computer chips that speed up a video game's rate of play;<sup>4</sup> cutting out pictures from a book of artwork and mounting them on

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1. 17 U.S.C. § 106(2).

2. 17 U.S.C. § 101 (definition of derivative works).

3. *Carol Rock v. Carol Publ'g*, 150 F.3d 132 (2d Cir. 1998).

4. *Midway Mfg. Co. v. Artic Int'l, Inc.*, 704 F.2d 1009 (7th Cir. 1983).

ceramic tiles;<sup>5</sup> and producing cassette tapes that, when inserted to the plaintiff's toy teddy bears, allowed the bears to speak and move.<sup>6</sup>

Commentators consistently bemoan this interpretation of the derivative work right as excessively broad.<sup>7</sup> They point out that such strong control over derivative works is unnecessary to provide authors with incentives to create new works;<sup>8</sup> that this control increases the costs of follow-on creation in the future;<sup>9</sup> and that it limits the ability of others to freely express themselves as protected by the First Amendment.<sup>10</sup> These problems have led scholars to call the derivative work right "highly problematic,"<sup>11</sup> label it the "most troublesome" area of copyright,<sup>12</sup> and question its constitutionality.<sup>13</sup> As a result,

5. *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988).
6. *Worlds of Wonder, Inc. v. Vertical Learning Sys.*, 658 F. Supp. 351, 356 (N.D. Tex. 1986); *Worlds of Wonder, Inc. v. Vector Intercontinental, Inc.*, 653 F. Supp. 125, 140 (N.D. Ohio. 1986).
7. See, e.g., Ralph S. Brown, *The Widening Gyre: Are Derivative Works Getting Out of Hand?* 3 CAR. ARTS & ENT. L.J. 1 (1984) (demonstrating concern at the increasing scope of the derivative works right); Glynn S. Lunney Jr., *Reexamining Copyright's Incentives-Access Paradigm*, 49 VAND. L. REV. 483, 650–53 (1996) (an economic case for a reduced derivative work right); Neil Weinstock Netanel, *Copyright and a Democratic Civil Society*, 106 YALE L.J. 283, 376–82 (1996) (limiting derivative work right on democratic participation grounds); Naomi Abe Voegtli, *Rethinking Derivative Rights*, 63 BROOK L. REV. 1213 (1997); Tyler T. Ochoa, *Copyright, Derivative Works and Fixation: Is Galoob a Mirage, or Does the Form(Gen) of the Alleged Derivative Work Matter?*, 20 S. SANTA CLARA COMPUTER & HIGH TECH L.J. 991, 1020 (2004) (arguing against the use of the derivative works right to exclude others from making unfixed derivative works unless they infringe the public performance right).
8. Glynn S. Lunney Jr., *Copyright, Derivative Works, and the Economics of Complements*, 12 VAND. J. ENT. & TECH. L. 779 (2009–2010); Tim Wu, *Tolerated Uses*, 31 COLUM. J. L. & ARTS. 617, 631 (2008) (arguing that often derivative work rights allow the author control over complementary goods that do not harm his incentives to create).
9. See, e.g., Michael Abramowicz, *A Theory of Copyright's Derivative Right and Related Doctrines*, 90 MINN. L. REV. 317, 329 (2005) ("The incentives justification for the derivative right thus rests on an enthymematic and uncertain empirical claim, that the increase in the number and quality of original works that the derivative right effects more than offsets any decreases in the number of derivative works.").
10. See, e.g., Jed Rubenfeld, *The Freedom of Imagination: Copyright's Constitutionality*, 112 YALE L.J. 1, 49–54 (2002).
11. Pamela Samuelson, *The Quest for a Sound Conception of Copyright's Derivative Work Right*, 101 GEO. L.J. 1505, 1509 (2013).
12. WILLIAM F. PATRY, PATRY ON COPYRIGHT § 3:46 (2013) (later stating, "[R]egrettably the understanding of derivative works is fast approaching incomprehensibility."); Other treaty writers are also confused as to the scope and purpose of the right. See MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT 8.09[A] (2012) (calling the right "completely superfluous").
13. See, e.g., Christina Bohannon, *Taming the Derivative Work Right: A Modest Proposal for Reducing Overbreadth and Vagueness in Copyright*, 12 VAND. J. ENT. & TECH. L. 669 (2010) (arguing that the First Amendment must limit the derivative works right); Rubenfeld, *supra* note 10.

various proposals now exist that demonstrate how the right could be restrained and transformed to better suit the underlying goals of copyright.<sup>14</sup>

However, so far these American scholars have not noticed that different countries approach the derivative work right in different ways.<sup>15</sup> Broadly speaking, states have developed two approaches to the derivative work right. Some states follow a standard-based approach, while others follow a rule-based approach. The distinction here is one of precision. Rules are highly precise legal commands (e.g. you must drive below 70 mph), while standards are imprecise commands (e.g. you must not drive “dangerously”). Rules are fixed and clear; standards are flexible and allow the court discretion in determining the law’s content.<sup>16</sup> Under the standard-based approach to the derivative work right, the state provides the author a right over derivative works and then defines the term “derivative work” in a broad, vague, and open-ended fashion. The U.S. law demonstrates the standard-based approach *par excellence*. Including the “any other form” language in the Act made the author’s right broad and vague while ultimately giving the court discretion to decide the law’s scope.<sup>17</sup>

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14. See, e.g., Samuelson, *supra* note 11 (suggesting that the correct interpretation of the derivative work right requires courts only to find infringement when a new derivative work is sufficiently analogous to one of the nine enumerated examples); Voegtli, *supra* note 7 (suggesting a statutory amendment to reduce the current scope of the right as applied to issues such as appropriation art); Mark Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 TEX. L. REV. 989, 1074–83 (1997) (suggesting a concept of blocking copyright and expanding fair use).
  15. However, some scholars have employed comparative methodology to the issue of adaptation rights. See Paul Goldstein, *Adaptation Rights and Moral Rights in the United Kingdom, United States, and the Federal Republic of Germany*, 14 INT’L REV. IND. PROP. & COPYRIGHT 43 (1983) (comparing the U.S., U.K., and Germany); Daniel Gervais, *The Derivative Right, or Why Copyright Law Protects Foxes Better Than Hedgehogs*, 15 VAND. J. ENT. & TECH. L. 755 (2013) (comparing U.S., U.K., French, German, and Berne Convention history).
  16. See, e.g., Isaac Ehrlich & Richard A. Posner, *An Economic Analysis of Legal Rulemaking*, 3 J. LEGAL STUD. 257, 258 (1974).
  17. The distinction between rules and standards is not a dichotomy. They are terms for two states that lie on either end of a spectrum of precision. As a result, most laws actually fall somewhere between the two. The U.S. approach is standard-based because its imprecision makes it more akin to a standard than a rule. However, it is true that courts do not have unlimited discretion when determining the content of the derivative work right. See Samuelson, *supra* note 11 (discussing how Congress has limited the breadth of the derivative work right via the use of the nine preceding examples). Similarly, the U.K. approach is more rule-based because it is more precise and less vague, but that does not mean there is no discretion for courts. What counts as a “translation,” for example, is a matter that courts have some discretion on.

Accompanying the U.S. in this group are states such as Germany<sup>18</sup> and China.<sup>19</sup>

In contrast, the legislature that follows a rule-based approach defines precisely what types of derivative works fall under the author's right. Adopting this approach, the U.K. provides authors with a right to make adaptations<sup>20</sup> and defines the term "adaptation" narrowly in relation to the type of subject matter in question.<sup>21</sup> If a British author creates a literary work, he will receive the right to make adaptations, but adaptation in this context is limited to (a) translations, (b) dramatizations, and (c) conveying the story wholly or mainly by means of pictures.<sup>22</sup> Or if the author makes a musical work, the law will grant him exclusivity over (a) arrangements of the work and (b) transcriptions.<sup>23</sup> In no case is the author provided with a broad, open-ended right to control all adaptations.<sup>24</sup> Accordingly, courts are allowed much less discretion in determining what types of adaptations are capable of infringing copyright. Other countries following this approach include Australia<sup>25</sup> and Singapore.<sup>26</sup>

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18. Law on Copyright and Neighbouring Rights, § 23 (as amended July 16, 1998) ("Adaptations or other transformations of a work may be published or exploited only with the consent of the author . . .") (Ger.).

19. Copyright Law of the People's Republic of China, § 10(14) (1990) (the author has "the right of adaptation, that is the right to change a work into a new one with originality") (China).

20. Copyright, Designs, and Patents Act 1988, c. 48, § 16 [hereinafter CDPA] (U.K.).

21. *Id.* § 21(3).

22. *Id.*

23. *Id.*

24. LIONEL BENTLY & BRAD SHERMAN, INTELLECTUAL PROPERTY LAW 152–53 (Oxford University Press, 3d ed. 2009) (the U.K. adaptation right is "restrictively defined and is not to be confused with a general right to control all derivative works, such as that recognized by copyright law in the U.S.A."); HECTOR MACQUEEN, CHARLOTTE WAEDEL, GRAEME LAURIE & ABBE BROWN, CONTEMPORARY INTELLECTUAL PROPERTY 138 (Oxford University Press, 2d ed. 2008) (Adaptation in the U.K. "is given a restricted meaning.").

25. Copyright Act, § 10 (1968)

*adaptation* means:

- (a) in relation to a literary work in a non-dramatic version form a version of the work (whether in its original language or in a different language) in a dramatic form;
- (b) in relation to a literary work in a dramatic form a version of the work (whether in its original language or in a different language) in a non-dramatic form;
- (ba) in relation to a literary work being a computer program – a version of the work (whether or not in the language, code or notation in which the work was originally expressed) not being a reproduction of the work;
- (c) in relation to a literary work (whether in a non-dramatic form in a dramatic form):
  - i. a translation of the work; or
  - ii. a version of the work in which a story or action is conveyed solely or principally by means of pictures; and

Currently, the U.S. is considering major copyright reform. The Register of Copyrights, Maria Pallante, has called for the “next great copyright act”<sup>27</sup> while others are working tirelessly to craft principles ensuring balance in the future legislation.<sup>28</sup> Given the controversy caused by the derivative works right, it is time to consider how other nations deal with this issue. This Article suggests that when reforming the derivative works right, the U.S. should adopt a rule-based approach, like the U.K.

In 1976, the U.S. adopted a standard-based derivative work right, hoping this would enable the law to flexibly extend over new, unforeseeable derivative works that may arise in the future. In contrast, the U.K. worried that a general adaptation right may lead to excessively broad law. Therefore, the U.K. narrowly tailored their adaptation right and tried to find flexibility to deal with novel adaptations elsewhere in the copyright system. Using economic literature on the comparative efficiency of rules and standards, this Article demonstrates how the U.K.’s approach was ultimately more efficient. Since enacting the Copyright Act 1976, U.S. law has become excessively broad. The lack of limits on the derivative work concept allowed authors to exclude many new welfare-enhancing works from the market. At the same time, the vagueness inherent in the standard-based approach makes application of the law much more complicated, time consuming, and costly. The U.K. avoided these problems by adopting a precise,

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- (d) in relation to a musical work – an arrangement or transcription of the work

(Austl.).

26. Copyright Act, § 7 (Chapter 63) (Revised Edition 1988)

“adaptation”—

- a) in relation to a literary work in a non-dramatic form, *means* a version of the work (whether in its original language or in a different language) in a dramatic form;
- b) in relation to a literary work in a dramatic form, *means* a version of the work (whether in its original language or in a different language) in a non-dramatic form;
- c) in relation to a literary work being a computer program, *means* a version of the work (whether or not in the language, code or notation in which the work was originally expressed) not being a reproduction of the work;
- d) in relation to a literary work (whether in a non-dramatic form or dramatic form) *means* –
  - i) a translation of the work; or
  - ii) a version of the work in which a story or action is conveyed solely or principally by means of pictures; and
- e) in relation to a musical work, *means* an arrangement or transcription of the work

(emphasis added) (Sing.).

27. Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J. L. & ARTS 315 (2013).

28. Pam Samuelson & Members of the Copyright Principles Project, *The Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L.J. 1175 (2010).

rule-based approach to derivative works. As a result, the perturbations surrounding the U.S. derivative works right do not exist in the U.K.

Part I of this Article explains why the U.K. and U.S. adopted different approaches to the derivative works right. Part II shows how this decision to adopt different approaches eventually led to different case outcomes. Part III compares the two approaches using economic literature on legal rules and standards. Doing so demonstrates how the U.S. standard-based approach is substantively too broad and procedurally too costly. Part IV considers some potential solutions to remedy the inefficiencies in U.S. law. This Article contends that the U.S. should make a statutory amendment to the Copyright Act and adopt a rule-based approach, much like that found in the U.K. Part V concludes.

## I. HISTORY OF THE DERIVATIVE WORK RIGHT IN ANGLO-AMERICAN COPYRIGHT

Why exactly did the U.S. and U.K. adopt different approaches to the derivative work right? It initially appears strange that the two systems, linked by shared history and copyright philosophy, would approach this important issue in such different ways. In order to answer that question, the first section shall recap the history of the derivative work concept during the eighteenth and nineteenth centuries. This demonstrates the similar path that the U.S. and U.K. doctrine followed prior to the twentieth century. After this point the laws began to diverge. Accordingly, the second section focuses on the U.S. during the twentieth century and why it chose a standard-based approach. The third section focuses on the U.K.'s twentieth century decision to adopt a rule-based approach. This demonstrates an overarching narrative plaguing both states during the previous century: how could society create copyright law that is flexible enough to deal with new and unforeseen technologies while still retaining legal clarity? The different approaches to the derivative works right chosen by the U.S. and U.K. were the result of different answers to that question. The U.S. chose a standard-based approach because it enabled flexibility within the law. By contrast, the U.K. chose a rule-based approach to keep the law well-defined while seeking flexibility elsewhere in the copyright system.



### A. Anglo-American Copyright During the Eighteenth and Nineteenth Centuries

Early copyright laws did not provide authors with any rights to control derivative works.<sup>29</sup> The first copyright statute, the Statute of Anne, enacted in Great Britain in 1710, provided authors of books the exclusive right to print, reprint, and vend their books for an initial period of fourteen years.<sup>30</sup> Unlike today's law, the Act was silent about derivative works. Courts interpreted this silence as meaning authors had no exclusivity over adaptations of their works. In 1721, Lord Macclesfield ruled in *Burnet v. Chetwood* that unauthorized translations were not illegal.<sup>31</sup> It was his view that translation "might not be the same with reprinting the original."<sup>32</sup> This was followed by *Gyles v. Wilcox* in 1740, where Lord Hardwicke ruled "fair abridgements" did not infringe the statute.<sup>33</sup> It was only an infringement of the statute to "colorably shorten" the work, i.e., to make minor alterations (e.g. removing a few pages) to deliberately evade the statute's reach.<sup>34</sup>

As Professor Kaplan once summarized, courts at this time determined infringement not by looking at what the defendant had taken, but at what he had added or contributed.<sup>35</sup> It did not matter greatly if the adapter copied large amounts of text, so long as he also added something new to the work. Translations added new expression and abridgments added new editing. Meanwhile, these adaptations introduced the old work to new markets and, therefore, helped disseminate knowledge further and wider than previously possible,<sup>36</sup> an outcome which chimed well with the overarching ideals of the Enlightenment.

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29. MARK ROSE, *AUTHORS AND OWNERS: THE INVENTION OF COPYRIGHT* 49–51 (Harvard Univ. Press, 1993); Ronan Deazley, *The Statute of Anne and the Great Abridgement Swindle*, 47 *HOUS. L. REV.* 793 (2010).

30. Statute of Anne, 8 Ann., c.19 (1710) (Eng.).

31. (1721) 35 Eng. Rep. 1008 (Ch.) 1009 (an English version of a Latin work was not infringing).

32. *Id.*

33. (1740) 26 Eng. Rep. 489 (Ch.); *see also* *Dodsley v. Kinnersley*, (1761) Amb. 403 (holding there is no infringement so long as the adaptation is a fair abridgment); *Sayre v. Moore*, (1785) 1 East 361 (stating there must be a balance between infringement and the advancement of art); *Cary v. Kearsley*, (1802) 4 Esp. 168, 170 ("[A] man may fairly adopt part of the work of another: he may so make use of another's labours for the promotion of science, and the benefit of the public.").

34. *See, e.g.,* *Tonson v. Walker*, (1752) 3 Swans 672 (holding that removing a handful of pages was colorable shortening).

35. BENJAMIN KAPLAN, *AN UNHURRIED VIEW OF COPYRIGHT, REPUBLISHED (AND WITH CONTRIBUTIONS FROM FRIENDS)* 17 (Matthew Bender ed., 2005) (during this time, the courts answered the question of infringement "by looking not so much to what the defendant had taken as to what he had added or contributed . . .").

36. *See, e.g.,* *Strahan v. Newbery*, (1774) 98 Eng. Rep. 913 (praising abridgments for their ability to make original works "less expensive, and more convenient both to the time and use of the reader").

Simultaneously, the early copyright law still was linked to the previous seventeenth century regulation of the printing press. The right holder's control was not so much over the intangible work but over the physical book.<sup>37</sup> Translations and abridgements may have similarity to the author's literary creation, but they were the consequence of new skill, judgment, and labor, and, as a result, were tangibly different books to any prior work. Such new works could simply not be viewed as copies.

This laissez-faire attitude later formed the foundation for the U.S. law. In 1790 the first U.S. Copyright Act was enacted. Like its predecessor, the Statute of Anne, the legislation was silent on the issue of adaptations. Courts once again quickly filled in the blanks. In 1853, Justice Grier reasoned that translations were not infringing.<sup>38</sup> Echoing Macclesfield's earlier pragmatic reasoning, Grier simply felt that translating a work was not the same as copying a work. Concurrently, the fair abridgment principle was acknowledged in a string of cases,<sup>39</sup> a fact that contemporary copyright treatise writer Eaton Drone called "not surprising" given the prominent position of the fair abridgement doctrine in British law.<sup>40</sup>

However, a shift was to occur in both countries starting during the middle of the nineteenth century. The Romantic era would introduce a new paradigm through which art and creation were viewed. Whereas the seventeenth and eighteenth centuries were dominated by Enlightenment ideals and print culture, Romanticism brought a fresh emphasis on the genius involved in creation. Previously the author was seen as a mere vessel, through which God created art and litera-

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37. The first steps that British society took toward recognizing a property right in the intangible text, as opposed to the physical book, came in *Pope v. Curl*, (1741) 26 Eng. Rep. 608 (Ch.), where the court noted a distinction between a property right arising from possession of the physical paper and a property right to reproduce the text. See Ronan Deazley, *Commentary on Pope v. Curl*, PRIMARY SOURCES ON COPYRIGHT (1450-1900) (L. Bently & M. Kretschmer, eds., 2008), [http://copy.law.cam.ac.uk/cam/tools/request/showRecord?id=commentary\\_uk\\_1741a](http://copy.law.cam.ac.uk/cam/tools/request/showRecord?id=commentary_uk_1741a).

38. *Stowe v. Thomas*, 23 F. Cas. 201, 208 (C.C.E.D. Pa. 1853) (No. 13,514) (finding that translations are not, for purposes of the copyright law, "copies").

39. *Lawrence v. Dana*, 15 F. Cas. 26, 59-63 (C.C.D. Mass. 1869) (No. 8,136); *Webb v. Powers*, 29 F. Cas. 511, 518-20 (C.C.D. Mass. 1847) (No. 17,323); *Folsom v. Marsh*, 9 F. Cas. 342, 347-49 (C.C.D. Mass. 1841) (No. 4,901); *Gray v. Russell*, 10 F. Cas. 1035, 1038-39 (C.C.D. Mass. 1839) (No. 5,728); see also 2 JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE AS ADMINISTERED IN ENGLAND AND AMERICA 214 (1836) (repeating the rule that bona fide abridgement was not an infringement).

40. EATON DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS IN GREAT BRITAIN AND THE UNITED STATES: EMBRACING COPYRIGHT IN WORKS OF LITERATURE AND ART, AND PLAYWRIGHT IN DRAMATIC AND MUSICAL COMPOSITIONS 437 (photo. reprint 1972) (1879).

ture.<sup>41</sup> Romanticism began to view the author himself as the creator.<sup>42</sup> The author viewed the world, internalized it, added something of himself to it, and returned this new work to society. He generated some new element, and this spark of creative genius was embodied into the physical product.<sup>43</sup> In the Romantic view, this core kernel of creativity existed prior to its eventual fixation in its physical form. Authors argued that this metaphysical essence underlying the work ought to be the focus of copyright. Naturally, the author ought to control this in any form that it took.<sup>44</sup>

Commentators on both sides of the Atlantic, less restrained by precedent than the judiciary, began to critique the previous reasoning of the law on adaptations. For example, George Ticknor Curtis argued that translation was a mere repackaging of the ideas and sentiments in the original that were truly the focus of copyright. The new language used was simply “a different medium of communicating that in which [the author] has an exclusive property.”<sup>45</sup> Eaton Drone also

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41. See, e.g., Martha Woodmansee, *The Genius and the Copyright: Economic and Legal Conditions of the Emergence of the 'Author,'* 17 EIGHTEENTH-CENTURY STUD. 425, 426–27 (1984) (describing the Renaissance view of the author as an inspired craftsman).
  42. *Id.* at 427 (“[I]nspiration came to be regarded as emanating not from outside or above, but from within the writer himself. ‘Inspiration’ came to be explicated in terms of *original genius*, with the consequence that the inspired work was made peculiarly and distinctively the product—and the property—of the writer.”).
  43. The Supreme Court used this reasoning in *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 60 (1884), in order to justify the protection of copyright in photographs. The Court reasoned that the production emanated “entirely from [the photographer’s] own mental conception” and, as a result, should be protected despite the fact that the mental conception found a physical form in a photograph. *Id.*
  44. The Court accepted this argument in *Holmes v. Hurts*, 174 U.S. 82 (1899). “It is the intellectual production of the author which the copyright protects, and not the particular form which such production ultimately takes; and the word ‘book,’ as used in the statute, is not to be understood in its technical sense of a bound volume, but any species of publication which the author selects to embody his literary product.” *Id.* at 89. See also Oren Bracha, *The Ideology of Authorship Revisited: Authors, Markets, and Liberal Values in Early American Copyright*, 118 YALE L.J. 186, 226 (2008) (noting that during the nineteenth century “[a]n elaborate representation of the author’s intellectual creation as an intellectual essence that could take a manifold of concrete forms gradually developed” and that copyright came to be thought of as “a general control of this elusive intellectual essence, irrespective of form”); Jane Ginsburg, *Creation and Commercial Value: Copyright Protection of Works of Information*, 90 COLUM. L. REV. 1865, 1887 (1990) (describing this process as the “deincorporealizing” of copyright).
  45. GEORGE TICKNOR CURTIS, TREATISE ON THE LAW OF COPYRIGHT 293 (Boston: Charles C. Little & James Brown 1847). Curtis argued that copyright included all of the “sentiment and ideas” that the author created. *Id.* at 273. As a result, the author was entitled to “all the profits of publication which the book can, in any form, produce.” *Id.* at 237–38. This modern approach viewed copyright as so broad that the Supreme Court would later be required to form some restraints on the author’s exclusive rights. Restraint was accomplished in part by the Court’s

found the *Stowe v. Thomas* decision, which denied authors an exclusive right to translate, to be “contrary to justice and recognized principles.”<sup>46</sup> Commentators were equally uneasy about the fair abridgement rule. Curtis said that copyright extended to the “whole book and every part of it” and, therefore, gave the author a right to exclude others from making abridgements.<sup>47</sup> Walter Arthur Copinger called the rule permitting fair abridgments “very unreasonable”<sup>48</sup> and suggested consigning it to the history books.<sup>49</sup>

The black letter law soon began to change. In the U.S., *Folsom v. Marsh*<sup>50</sup> proved to be a breakthrough case. Jared Sparks published *The Writings of George Washington*, an edited version of the former president’s letters and papers, in twelve volumes between 1834 and 1837. Later in 1840, Charles Upham published *The Life of Washington*. Though Sparks’s publishers claimed this book was an infringement, Upham’s work was arguably lawful as a fair abridgment. Sparks’s work was 6763 pages long; by contrast, Upham’s work was 866 pages long, and only 353 pages were directly copied from Sparks’s work.<sup>51</sup> In addition, the only copied materials were the direct words of Washington; Upham copied none of Sparks’s original expression. The character of the books was also different: Sparks’s work was a collection of writings from George Washington, while Upham’s work was more of a biography.

Nevertheless, Justice Story saw the issue differently. While acknowledging the fair abridgement principle in theory,<sup>52</sup> he went on to radically redefine its content. In his view, it was not a fair abridgement to produce a work that caused the previous author market harm. Unlike judges of previous centuries, he would not excuse a work merely if it added some new expression. Instead it was an infringement to make a work that “may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.”<sup>53</sup> Story found

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ruling that ideas are not copyrightable subject matter. See, e.g., *Baker v. Selden*, 104 U.S. 99, 101 (1879).

46. *DRONE*, *supra* note 40, at 454.

47. *CURTIS*, *supra* note 45, at 273.

48. WALTER ARTHUR COPINGER, *THE LAW OF COPYRIGHT* 35–36, 101–02 (London: Stevens & Haynes 1870).

49. *Id.* at 101–02.

50. *Folsom v. Marsh*, 9 F. Cas. 342 (C.C.D. Mass. 1841) (No. 4,901).

51. Oren Bracha, *Commentary on Folsom v. Marsh (1841)*, PRIMARY SOURCES ON COPYRIGHT (1450–1900) (L. Bently & M. Kretschmer eds., 2008), [http://copy.law.cam.ac.uk/cam/tools/request/showRecord?id=commentary\\_us\\_1841](http://copy.law.cam.ac.uk/cam/tools/request/showRecord?id=commentary_us_1841). See also L. Ray Pattinson, *Folsom v. Marsh and Its Legacy*, 5 J. INTELL. PROP. L. 431, 433 (1998) (discussing the facts in the case).

52. *Folsom*, 9 F. Cas. at 344–45.

53. *Id.* at 348.

that Upham's work did harm the market for Sparks's work and was, therefore, an infringement.<sup>54</sup>

Justice Story's opinion altered how the law reacted to derivative works. No longer was the adapter judged by what he had contributed; now the touchstone of infringement was substitutability in the market place. The author was allowed to control the work if his intangible creation was used in a way detrimental to his profits. Derivative works that built on the author's work were now viewed suspiciously. It would not be long until Congress would intervene legislatively to allow authors the ability to reserve a right to translate and dramatize their works.<sup>55</sup>

The U.K. followed the same path during this period. The court in *D'Almaine v. Boosey* adopted a market harm inquiry to judge whether derivative works infringed.<sup>56</sup> The question was whether the rearrangement of a musical air could be considered an infringement. Holding that it was, Lord Abinger said, "[T]he mere adaptation of the air . . . does not, even to common apprehensions, alter the original subject. The ear tells you that it is the same."<sup>57</sup> The infringement, in his view, constituted taking from the work that which made it "most saleable."<sup>58</sup> As in the U.S., this new approach considered whether a

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54. *Id.* at 349. A similar train of thought can be found in *Daly v. Palmer*, 6 F. Cas. 1132, 1138 (C.C.S.D.N.Y. 1868) (No. 3,552). This case concerned the right of public performance. The copyright holder's dramatic work, *Under the Gaslight*, contained a scene in which a character was bound to a railroad track and in danger of being killed by an oncoming train. Another character then saved the first character by untying him. The defendant's work was very dissimilar to this play, except for this railroad scene. Even then, the railroad scene was somewhat different in each work. Nevertheless, Judge Blatchford held that the similarity in action, narrative, and effect rendered the use an infringement:

A mere mechanic in dramatic composition can make such adaptation, and it is a piracy, if the appropriated series of events, when presented on the stage, although performed by new and different characters, using different language, is recognized by the spectator, through any of the senses to which the representation is addressed, as conveying substantially the same impressions to, and exciting the same emotions in, the mind, in the same sequence or order.

*Daly*, 6 F. Cas. at 1138. Paul Goldstein calls this the first "great intellectual leap" in the development of U.S. derivative work rights. Paul Goldstein, *Derivative Rights and Derivative Works in Copyright*, 30 J. COPYRIGHT Soc'y U.S.A. 209, 213 (1983).

55. Act of July 8, 1870, ch. 230, §86, 16 Stat. 198, 212 (repealed 1916).

56. *D'Almaine v. Boosey*, (1835) 160 Eng. Rep. 117 (K.B.) 123 (noting that where a work takes "such [material] as made [the original] most saleable, the maker of the abridgement commits a piracy.") (U.K.).

57. *Id.* at 123.

58. *Id.*

consumer would substitute the two works.<sup>59</sup> If so, then the second comer's use of the original author's work was an infringement.

The fair abridgement rule thus evolved to include market substitution. In a celebrated case involving the work of Charles Dickens, one judge denied the existence of a right to abridge.<sup>60</sup> Later in 1863, another court attacked the Enlightenment approach to adaptations, saying, "The Court has gone far enough in [endorsing abridgements]; and it is difficult to acquiesce in the reason sometimes given, that the compiler of an abridgement is a benefactor to mankind, by assisting in the diffusion of knowledge."<sup>61</sup> Although no case concerning translations came before U.K. courts during this time, commentators also began to find fault with the *Burnet v. Chetwood* precedent that translations were not infringements.<sup>62</sup> Thus, the common law in the U.K. and the U.S. aligned prior to starting the twentieth century.<sup>63</sup> Both countries

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59. ISABELLA ALEXANDER, COPYRIGHT AND THE PUBLIC INTEREST IN THE NINETEENTH CENTURY 184 (Hart Publishing 2010) (The new approach in the United Kingdom "emphasised the marketplace effects of copying and prioritised the impact on the plaintiff's work."). Other courts quickly adopted this test. See, e.g., *Lewis v. Fullarton*, (1839) 48 Eng. Rep. 1080 (Ch.) (finding that where the amount taken was inconsiderable, and the likelihood of injury to plaintiff small, the court may decline to interfere at all or refuse to enjoin the second work and leave the plaintiff to his remedy at law); *T.W. Gunning, Sweet & Others v. Shaw*, 3 JURIST 217, 219 (1839) (verbatim copying of eleven legal cases and abridgment of thirty-nine others from a law textbook would "materially operate to prevent the sale by the plaintiffs of their work").

60. W.W. Cooper, *Dickens v. Lee*, 8 JURIST 183, 184 (1844). The discussion quotes Vice Chancellor Knight Bruce as follows:

I am not aware that one man has the right to abridge the works of another. On the other hand, I do not mean to say that there may not be an abridgment which may be lawful, which may be protected; but, to say that one man has the right to abridge, and so to publish in an abridged form the work of another, without more, is going much beyond my notion of what the law of this country is.

*Id.*

61. *Tinsley v. Lacy*, (1862) 71 Eng. Rep. 327, 330 (K.B.). The trend of restricting the fair abridgement rule continued through numerous cases. See, e.g., *Wood v. Boosey*, (1867) 2 L.R.Q.B. 340, 350 (Eng.) (noting the possibility that a arrangement of an opera for pianoforte done without the opera composer's permission could infringe copyright); *Walter v. Steinkopff*, (1892) 3 Ch. 489, 495 (Eng.) (finding infringement where defendants "desire to reap where they have not sown, and to take advantage of the labour and expenditure" of the original author); *Kelly v. Morris*, (1866) 1 L.R. Eq. 697, 701-03 (Eng.) (granting an injunction where the defendant's directory copied factual material from the plaintiff's, on the theory that "a subsequent compiler is bound to set about doing for himself that which the first compiler has done").

62. See, e.g., THOMAS EDWARD SCRUTTON, THE LAWS OF COPYRIGHT 49 (London: John Murray, 1883) (describing the rule that translations were not infringements as "opposed to all correct principles").

63. However, it is worth noting that the market effects test did not lead to complete acceptance of authors' rights in adaptation. In the U.K. at least, dramatizations were often made freely. While occasionally authors could prevent unlicensed dra-

were gradually warming up to an authorial right to make derivative works.

## B. Derivative Works in Twentieth Century U.S. Copyright

During the twentieth century, the U.S. went on to adopt a standard-based right to prepare derivative works. As will be seen here, this stemmed from a desire to create flexible law, capable of dealing with unforeseen technology.

### 1. *The 1909 Copyright Act*

At the start of the twentieth century, those involved in copyright discussions became increasingly aware of the flaws inherent in the copyright law's hitherto ad hoc nature. Piecemeal development had occurred through court cases and additional statutes, but the time had come to consolidate these developments into one new Act. Register of Copyrights Thorvald Solberg produced a number of annual reports that recommended the simplification and consolidation of a law increasing in scope.<sup>64</sup> He advised that Congress appoint a commission comprised of individuals whose interests were affected by the law, to plan future revisions.<sup>65</sup> The Senate Committee on Patents agreed to hold a conference where experts and interested parties could consider potentially codification of copyright law.<sup>66</sup> In response, Herbert Putnam, the Librarian of Congress, convened a series of conferences in New York City and Washington D.C. between 1905 and 1906.<sup>67</sup> However, Putnam invited mainly representatives of industries that already had rights under the existing copyright law; no one specifically represented the public interest.<sup>68</sup> These industry-led debates led to a

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matizations, others could not obtain injunctions. *Compare, e.g.,* Reade v. Lacy, (1861) 70 Eng. Rep. 853 (K.B.) (enjoining an unlicensed dramatization of a novel, which was based on the original author's earlier play), *with* Toole v. Young, (1874) 9 L.R.Q.B. 523 (Eng.) (declaring nonsuit where plaintiff, the assignee of dramatization rights in a novel, who never in fact wrote a play, brought action against defendant based on defendant's dramatization of the same novel).

64. LIBRARY OF CONG., S. DOC. NO. 58-10, pt. 1, at 68-69 (1903); S. DOC. NO. 57-6, pt. 1, at 63-65 (1902); S. DOC. NO. 57-35, pt. 1, at 60-61 (1901).

65. *See, e.g.,* LIBRARY OF CONG., S. DOC. NO. 58-10, pt. 1, at 68 (1903) (renewing request, as in past two reports, for a copyright commission). *See generally* 1 WILLIAM F. PATRY, COPYRIGHT LAW AND PRACTICE 56-58 (1st ed. 1994), available at <http://digital-law-online.info/patry/patry6.html> (summarizing the legislative history of the 1909 Copyright Act).

66. Letter from Sen. Kittredge of South Dakota to Librarian of Congress Herbert Putnam, in 5 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, pt. M, at M5 (E. Fulton Brylawski & Abe Goldman eds., 1976).

67. PATRY, *supra* note 65, at 57.

68. *See* Stenographic Report of the Proceedings of the First Session of the Conference on Copyright, in 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note

draft bill that later formed the foundation for the 1909 Copyright Act.<sup>69</sup>

The result of this industry-focused approach to copyright legislation was highly reactionary and inflexible law, as Professor Litman has already highlighted.<sup>70</sup> The representatives sought to maintain their advantages under the old law, while seeking a better deal for their particular industry on issues where there remained a disadvantage.<sup>71</sup> Where the parties' interests diverged, they compromised. Agreement was reached on controversial issues by treating the particular classes of work separately from one another.<sup>72</sup> As a result, the Act defined specific types of copyrightable works and the rights protected for each type. The goal was not to provide broad copyright principles that would tie that law coherently together, but to provide each industry with the bundle of rights that they required.<sup>73</sup> The author's right of public performance demonstrates the convoluted result. Some, like authors of novels, did not receive this right at all,<sup>74</sup> while dramatists received the right in all situations.<sup>75</sup> Others such, as lecturers, were only given the exclusive right to perform the work for profit,<sup>76</sup> and musical works were only granted the exclusive right to perform the work publicly for profit except on coin-operated machines.<sup>77</sup>

Nowhere could this approach to legislation drafting be seen better than in the statute's provision for derivative works. Under the Act, authors were given the right to:

[t]ranslate the copyrighted work into other languages or dialects, or make any other version thereof, if it be a literary work; to dramatize it if it be a nondramatic work; to convert it into a novel or other non dramatic work if it be a drama; to arrange or adapt it if it be a musical work; to complete, execute, and finish it if it be a model or design for a work of art . . . .<sup>78</sup>

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66, pt. C, at iii–vi (listing national associations of authors publishers, and artists as invitees to the first conference).

69. H.R. 25133, 59th Cong. (1907), *reprinted in* 6 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. N, at N19–N53; S. 8190, 59th Cong. (1907) *reprinted in* 6 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. Q, at 39–74.

70. See Jessica Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275, 288–304 (1989) (discussing the tension surrounding the drafting and passage of the 1909 Act).

71. *Id.* at 280.

72. *Id.*

73. See Abe Goldberg, *Copyright Law Revision Part 2—A Review of the Record*, BULL. COPYRIGHT SOC'Y, Apr. 1963, at 214, 216–17 (1962).

74. Copyright Act of 1909, Pub. L. No. 60-349, § 1(d), 35 Stat. 1075, 1075 (granting exclusive rights of public performance only where the original work was a drama) (repealed by Copyright Act of 1976).

75. *Id.*

76. *Id.* § 1(c).

77. *Id.* § 1(e).

78. *Id.* § 1(b).



In effect, the conference holders asked the representatives what types of adaptations had caused them grievances in the past and accordingly added their answers to the industry's list of entitlements.<sup>79</sup> For example, the American Dramatists Club wanted playwrights to have the exclusive right to dramatize their works;<sup>80</sup> the right accordingly found its way into the derivative works provision. The Music Publishers' Association wanted musical arrangements to be protected, and thus, arrangements were also added to the derivative work provision.<sup>81</sup> Any attempt to create broad principles governing adaptations gave way to specific, fine-grained, and enumerated rights depending on the subject matter in question.<sup>82</sup> The overall result of this approach was that, at the outset of the twentieth century, the U.S. adopted a precise, rule-based provision on derivative works.

## 2. *From 1909 to 1976*

Once enacted, the 1909 Act regulated copyright for more than sixty-five years. However, this period was a turbulent one for the copyright law; it was a time of great technological change and development. The twentieth century saw the development of a booming

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79. See Litman, *supra* note 70, at 301 (noting that the conferences began with "each organization's articulation of its wish list").

80. Bronson Howard, President, Am. Dramatists Club, Remarks at the Proceedings of the Librarian's Conference on Copyright, 1st Session (June 1, 1905) in 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. C, at 105-06 ("[T]he principle we have always had in our law that the . . . author of a novel should have full and absolute control of any dramatized version of it, is very important . . .").

81. George W. Furniss, Chairman, Music Publishers' Ass'n of the United States, Remarks at the Proceedings of the Librarian's Conference on Copyright, 1st Session (June 1, 1905) in 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. C, at 103-05.

82. Some at the conferences, however, did want general copyright principles. Richard Bowker, author of one of the most influential twentieth-century copyright treatises, stated his desire for a "general provision that should cover the whole question of subsidiary copyright" and which would be "very general and sweeping." Richard R. Bowker, Vice-President, Am. (Authors') Copyright League, Remarks at the Proceedings of the Librarian's Conference on Copyright, 2nd Session (Nov. 3, 1905), in 3 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. D, at 192. Solberg was of the same mind. See, e.g., Thorvald Solberg, Register of Copyrights, Remarks at the Proceedings of the Librarian's Conference on Copyright, 1st Session (June 1, 1905) in 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. C, at 105 ("[M]y desire is, that there should be an expression of opinion from Conference on the principle of whether the original primary right is to include all the subsidiary right."). This view met with resistance from Putnam, who did not see the Act as "an attempt at abstract and theoretic perfection" but as "a bill for this country at this time under [present] conditions." *Arguments on the Bills S. 6330 and H.R. 19853, to Amend and Consolidate the Acts Respecting Copyright Before Committees on Patents*, 58th Cong. 16 (1904) (statement of Herbert Putnam, Librarian of Cong.), reprinted in 4 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. H, at 16.

motion picture industry; the creation of radio broadcasting; the rise of the jukebox; the birth of broadcast television and later cable television; the invention of computer software; and other technological developments that affected the exploitation of copyrighted works. The drafters of the 1909 Copyright Act had not foreseen these developments, let alone their implications for copyright owners. Furthermore, the industry-focused, backward-looking law provided no fundamental or generally applicable copyright principles to guide courts on how to deal with new technologies. The law did not easily apply to these novel situations, and commentators soon opined the “antiquity of the statute.”<sup>83</sup>

This left the judiciary with a difficult role to fulfill. Copyright historically was viewed as a creation of statute; both the House of Lords and United States Supreme Court had famously decided that statutory copyright superseded any common law copyright.<sup>84</sup> On issues of novel technologies, the wording and intent of the statutes should, theoretically, be determinative.<sup>85</sup> This caused a bifurcation within the judiciary. Some continued to view copyright as a purely statutory framework and argued the 1909 Act was not designed to regulate these new technologies. On the other hand, some judges saw the threat that new technology posed to authors’ legitimate interests. Interpreting the Copyright Act too narrowly would lead to under-inclusive law, under which authors could not exclude harmful new works from the market. These judges latched onto the emerging idea of the author’s right to control his intellectual essence, regardless of form, and stretched old statutory language to cover new uses. However, to accomplish this, new technologies had to be “jammed into inappropriate statutory language.”<sup>86</sup>

A few examples demonstrate the courts’ struggle during this era. Here we shall focus on the issues of motion pictures, radio broadcasting, and cable television. Though the last two examples involve the right of public performance rather than derivative work rights, problems arising in connection with radio and television influenced authors’ exclusive rights under the 1976 Copyright Act, including the derivative works rights.

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83. Zecharia Chafee Jr., *Reflections on the Law of Copyright: I*, 45 COLUM. L. REV. 503, 515 (1945).

84. *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591 (1834); *Donaldson v. Beckett*, (1774) 1 Eng. Rep. 837 (H.L.).

85. Focus on literal wording and meaning was typical statutory interpretation in U.S. courts during this era. While formalists still favored the plain meaning of the statute, progressives tried to unearth legislative intent. See William N. Eskridge Jr., *The Case of Speluncean Explorers: Twentieth-Century Statutory Interpretation in a Nutshell*, 61 GEO. WASH. L. REV. 1731, 1732–34 (1993).

86. Chafee, *supra* note 83, at 516.

*a. Motion Pictures*

The technology for motion pictures was developed at the tail end of the nineteenth century. By 1910 there were an estimated 8000 to 10,000 movie theatres in the country.<sup>87</sup> Yet neither the 1909 Act nor its predecessor, the 1891 International Copyright Act,<sup>88</sup> considered whether making a motion picture version of a copyrighted work counted as an infringement.<sup>89</sup> This issue arose in *Kalem Co. v. Harper Brothers*.<sup>90</sup> Although the case was litigated under the 1891 Act, this important case revealed the oversights of the 1909 legislation.

In 1907 the Kalem Company made a silent film based on Lew Wallace's novel *Ben Hur: A Tale of the Christ*. One could forgive Kalem for optimistically believing this not to infringe copyright. Previously the Supreme Court announced that if a new technology was not expressly covered by the Copyright Act, then Congress had not intended for it to be regulated by copyright.<sup>91</sup> One prior case employed similar reason-

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87. Q. DAVID BOWERS, *NICKELODEON THEATRES AND THEIR MUSIC* viii (The Vestal Press, 1986).

88. See International Copyright Act, ch. 565, 26 Stat. 1106 (1891) (repealed 1909).

89. See Copyright Act of 1909, Pub. L. No. 60-349, §1, 35 Stat. 1075, 1075-77 (repealed 1976). No member of the motion picture industry was invited to the conferences to discuss copyright revision. See 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. C, at iii-vi (invitees to the first session); 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. D, at V-VII (invitees to the second session); 3 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. E, at V-X (invitees to the third session). However, two members of the proceedings made statements regarding moving pictures. See *Hearings Before the Committees on Patents of the Senate and House of Representatives on Pending Bills to Amend and Consolidate the Acts Respecting Copyright*, 60th Cong. (1908) (statement of Frank L. Dyer, Edison Manufacturing Company), reprinted in 5 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. K, at 281-82 (urging that, given public interest in moving pictures, "[t]here should certainly be no hasty and ill-advised legislation"); *id.* (statement of Paul H. Cromelin, President, American Musical Copyright League), reprinted in 5 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT, *supra* note 66, pt. K, at 309-11 (noting that he had been asked by president of a moving-picture company to represent him at the hearing and discussing the difficulties presented by derivative rights and motion pictures).

90. *Kalem Co. v. Harper Brothers*, 222 U.S. 55 (1911).

91. *White-Smith Music Publ'g Co. v. Apollo Co.*, 209 U.S. 1 (1908). This case, involving a dispute over music rolls for automatic pianos, illustrates the conflict between rigid legislation and technological change. The success of this machine led the manufacturers of Pianolas to create music rolls capable of replicating the sound of well-known musical compositions. *Id.* at 9-10 (describing the mechanics of the machines in general terms). The copyright holders of those compositions perceived this new entertainment as a threat and brought action against the manufacturers. At issue was whether the creation of the music roll was equivalent to making a copy of the work and was, therefore, a copyright infringement. *Id.* at 11. The existing copyright law did not contain a provision relating to music rolls, and there was no evidence the law was intended to cover them.

ing to find an absence of infringement when a defendant transformed *Ben Hur* into a series of magic lantern slides.<sup>92</sup>

However, Kalem's optimism was misplaced. The statute did still provide authors of novels the ability to dramatize their works.<sup>93</sup> Previously some believed that Congress intended this to cover only stage productions of authors' works. One commentator described the scope of dramatization prior to 1981 as having "the meaning strictly of using, or preparing for use, a story or a novel in a drama to be lived by living persons on a scenic stage."<sup>94</sup> Yet, the Court found this provision covered motion pictures. For Justice Holmes, concurring specially, it did not matter through which medium the audience perceived the story, only that it did perceive the story.<sup>95</sup> This view is not surprising; in other cases, Justice Holmes had elsewhere declared his view that copyright ought to protect the essence of the work, regardless of form.<sup>96</sup> Eventually Kalem settled the case for \$25,000.<sup>97</sup>

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*See id.* at 14–16 (discussing legislative history). The plaintiffs latched onto the nineteenth-century notion that whatever the copyright statutes said, the real focus of protection was the intellectual essence created by the author. *See id.* at 11 (arguing that copyright covered the "intellectual conception which has resulted in the compilation of notes" and covered "all means of expression of the order of notes"). This claim pushed the envelope for the derivative works concept and advocated for the modern, more general, understanding of copyright. The defendants relied on the traditional view of copyright, repeating that the "extent of this protection is a matter of statutory law," *id.* at 11, and that the production of the perforated piano rolls did not fall within that definition. This argument was enough to persuade a majority of the Court's justices. *Id.* at 17 ("In no sense can musical sounds which reach us through the sense of hearing be said to be copies, as that term is generally understood, and as we believe it was intended to be understood in the statutes under consideration.").

With this opinion, the Supreme Court took the view that copyright was a statutory right, created by Congress, limited to using the work in certain clearly demarcated ways. Only Congress had the power to add new categories of prohibited acts. This stance was consistent with the great literary property cases *Donaldson v. Beckett* and *Wheaton v. Peters*, which referred to copyright as purely statutory. *See supra* discussion in subsection I.B.2. Justice Holmes dissented, arguing that copyright protected the "essence" of the work, which could take any form. *White-Smith Music Publ'g Co.*, 209 U.S. at 19 (Holmes, J., dissenting).

92. *See To Restrain a Magic-Lantern Lecture of Ben-Hur*, 49 PUBLISHER'S WKLY. 768, 768 (1896) available at <http://books.google.com/books?id=0QQDAAAAYAAJ> (discussing the unreported case); Oren Bracha, *How Did Film Become Property?*, COPYRIGHT AND THE CHALLENGE OF THE NEW 141, 171 (Brad Sherman & Leanne Wiseman eds., 2012).
93. *Kalem*, 222 U.S. at 19–20 (Holmes, J., concurring) (arguing that to protect a work, one must protect its essence).
94. Notes of Important Decisions, *Copyrights—Moving Pictures as Dramatization*, 73 CENT. L.J. 442 (1911) [hereinafter *Copyrights*].
95. *Kalem*, 222 U.S. at 19–20 (Holmes, J., concurring) (arguing that to protect a work, one must protect its essence).
96. *White-Smith Music Publ'g Co.*, 209 U.S. at 19 (Holmes, J., dissenting). Some launched scathing criticism of this decision, saying that the court was "substituting itself for Congress." *Copyrights*, *supra* note 94, at 443.

The case revealed one of the problems with the 1909 Act: it set damages at \$100 for the first infringing dramatization and \$50 for each subsequent dramatization,<sup>98</sup> an amount set with stage plays in mind. Whereas plays would usually be performed a handful of times, motion picture companies were showing their films at thousands of locations around the country, at multiple times each day. The statute's damage provision combined with widespread film showings exposed motion picture companies to the possibility of tremendously high damage awards. The motion picture industry lobbied Congress to amend the 1909 Act.<sup>99</sup> The result was a partial success; the industry managed to create a damage cap for cases of innocent infringement that could not have been "reasonably foreseen."<sup>100</sup>

*b. Radio Broadcasting*

Radio broadcasting also illustrates how the 1909 Act struggled to keep pace with new technology. The 1909 Act secured the owners of musical copyright the right to perform the work publicly for profit but did not address how this right would work in a world of radio.<sup>101</sup> The original act contemplated an audience paying a fee to enter and the musicians then playing the work live. There was no provision to accommodate the changes that radio would bring.

As broadcasts became more frequent,<sup>102</sup> songwriters and publishers increasingly began to view the technology as a threat. Copyright holders began to bring claims based on radio broadcasting to the courts. Among the first was *M. Witmark & Sons v. Bamberger*.<sup>103</sup> Bamberger owned a department store in New Jersey from which he sold radio sets and operated a radio broadcasting station. Witmark & Sons, owner of copyright in the musical composition *Mother*

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97. GEORGES SADOUL, *THE DICTIONARY OF FILMS* 29 (Peter Morris ed.) (1972).

98. Copyright Act of 1909, Pub. L. No. 60-349, §25(b), 35 Stat. 1075, 1081 (repealed 1976).

99. See *Complete File of Arguments Before the Committee on Patents House of Representatives on H.R. 15263 and H.R. 20596*, 62d Cong. 8-11 (1912) (Statement of Frank L. Dyer, Edison Manufacturing Company), available at <http://books.google.com/books?id=8cw0AQAAMAAJ> (discussing the fee structure's negative implications for the motion picture industry); Litman, *supra* note 70, 290-91 (summarizing lobbying efforts).

100. Townsend Amendment, 1912, Pub. L. No. 62-303 § 25(b), 37 Stat. 488, 489 (1912) (amending Copyright Act 1909, Pub. L. No. 60-349, 35 Stat. 1075; both repealed, 1976).

101. See Copyright Act 1909, § 1(e) (discussing public performance but with no mention of broadcasting).

102. See generally William O. Swinyard, *The Development of the Art of Radio Receiving from the Early 1920's to the Present*, 50 PROCEEDINGS OF THE INSTITUTE OF RADIO ENGINEERS 793 (1962) (chronicling the development and spread of radio technology).

103. *M. Witmark & Sons v. L. Bamberger & Co.*, 291 F. 776 (D.C.N.J. 1923).

*Machree*, asserted that Bamberger had infringed on the right to perform the work in public for profit by broadcasting it on his radio station.<sup>104</sup>

The issue in this case was whether the radio broadcast was indeed “for profit.”<sup>105</sup> In the past, one court held that by “for profit,” Congress meant a direct pecuniary charge for the performance, “such as an admission fee or a fee deposited in a coin-operated machine.”<sup>106</sup> Bamberger did not charge a direct fee; consumers received the broadcast for free.<sup>107</sup> Nevertheless, the court resolved that this was indeed a profitable performance because the consumers still bought the radio equipment Bamberger sold in his store in order to receive the broadcast.<sup>108</sup>

Profit from performance was one of many issues surrounding radio broadcasts. The next question was what counted as a “performance,” addressed in *Jerome H. Remick v. American Automobile Accessories Co.*<sup>109</sup> Once again, the defendant sold radio sets and operated a radio broadcast, this time from Cincinnati.<sup>110</sup> He played the musical composition *Dreamy Melody* on his broadcast; the copyright holders sought damages and an injunction barring future broadcasts for the piece.<sup>111</sup> The question for the court was whether the broadcast counted as a performance.<sup>112</sup> The lower court agreed with the defendants that it did not, finding that when Congress adopted the term, it had meant performance before a physical “assemblage of persons.”<sup>113</sup> To be public, the performance required “an audience congregated for the purpose of hearing that which transpires at the place of amusement.”<sup>114</sup> In the case of radio that could not be said because the listeners had not assembled physically to take in the performance but

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104. *Id.* at 776–77.

105. *Id.* at 777.

106. *John Church Co. v. Hilliard Hotel Co.*, 221 F. 229, 231 (2d Cir. 1915). *See also* *Herbert v. Shanley*, 229 F. 340 (2d Cir. 1916) (finding no infringement when no admission was charged).

107. *M. Witmark & Sons*, 291 F. at 773.

108. *Id.* at 779–80.

109. *Jerome H. Remick & Co. v. Am. Auto. Accessories Co.*, 298 F. 628 (S.D. Ohio 1924).

110. *Id.* at 629.

111. *Id.*

112. *Id.* at 631.

113. *Id.* at 531.

114. *Id.* At the same time, the court stated that copyright was a statutory creation not suitable for common law additions. *Id.* at 630 (“[I]t is clear that this protection should not be extended beyond the express language of the statute, nor a property right created which was not clearly within the mind of Congress when the act was passed.”) This view drew criticism from some. *See* Current Decisions, *Copyright—Radio Broadcasting Not an Infringement*, 34 YALE L.J. 109, 110 (1924) (discussing the holding as an “over strict construction” relying on dictionary definitions).

instead occupied dispersed locations. However, the Sixth Circuit Court of Appeals strongly disagreed and stressed the need for flexibility when construing the Copyright Act.<sup>115</sup> With a more flexible construction, the court found that this was a performance because the broadcast was able to address "a great, though unseen and widely scattered, audience."<sup>116</sup>

Even this more liberal construction did not solve the issue of radio broadcasts and the public performance rights. Four years after the Sixth Circuit's decision in *Jerome H. Remick Co.*, the Supreme Court faced the issue of what was a "performance." In *Buck v. Jewell-La Salle Realty Co.*, a hotel received the broadcast of an independent station and played that music to their customers.<sup>117</sup> The Supreme Court reversed the lower court's determination that performance occurred in the radio station when the music was broadcast and was not re-performed by the hotel owner, who merely turned the radio set on.<sup>118</sup> Justice Brandeis found novelty was no bar to extending the existing copyright law; the hotel's transmission of the performance to its customers infringed upon performance rights.<sup>119</sup>

By the middle of the 1920s, it was clear that the law was out of date; commentators discussed the statute's inadequacy in light of changed technology.<sup>120</sup> Industry concerns renewed their efforts to amend the law. For example, the radio industry encouraged a number of bills that exempted them from liability.<sup>121</sup> A new regulation of the

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115. *Jerome H. Remick & Co. v. Am. Auto. Accessories*, 5 F.2d 411, 411-12 (6th Cir. 1925). The court adopted the Holmesian view of copyright law, interpreting statute dynamically. In direct answer to the lower court, the Sixth Circuit noted that new developments were not, for reasons of novelty alone, excluded from the Copyright Act. *Id.* at 411 (holding that until Congress addresses new technologies, "the statute may be applied to new situations not anticipated by Congress, [when] such situations come within its intent and meaning" and that statutes "should not be so narrowly construed as to permit their evasion because of . . . new inventions and discoveries").

116. *Id.* at 412. In contrast to the criticism of the lower court's decision, at least one commentator found the appellate court's handling of profit issue "proper." Recent Cases, *Copyright-Infringement by Radio Broadcasting*, 39 HARV. L. REV. 269 (1925).

117. *Buck v. Debaum*, 40 F.2d 734, 736 (D.C. Cal. 1929) (finding that this act was "never within the intent of Congress in passing the Copyright Act or within the reasonable purview of the terms thereof").

118. *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191 (1931).

119. *Id.* at 198 ("[N]othing in the Act circumscribes the meaning . . . [of] 'performance,' or prevents a single rendition . . . from resulting in more than one public performance . . . . [T]he novelty of the means used does not lessen the duty of the courts to give full protection to [rights] which Congress has secured to the composer.").

120. See, e.g., A.L. Ashby, *Legal Aspects of Radio Broadcasting*, 1 AIR L. REV. 331, 342 (1930).

121. See, e.g., H.R. 8166, 68th Cong. (1924); S. 2328, 69th Cong. (1926); H.R. 10353, 69th Cong. (1926); S. 4467, 70th Cong. (1928); Paul Gitlin, *Radio Infringement of Music Copyright*, 1 ASCAP COPYRIGHT L. SYMPOSIUM (1939), reprinted in 46 J.

radio and telecommunications issue was eventually embodied in the Communications Act of 1934.<sup>122</sup>

### *c. Cable Television*

A final illustrative story is that of cable television, also known as Community Access Television (CATV). A technical handicap plagued regular broadcast television. The signals were limited in reach and could be disturbed by features of the land (hilly terrain, for example). To avoid this problem large receivers ("community antenna") were erected around the country. The receivers picked up television signals, then used cables to transmit those signals into peoples' homes. Those who owned copyright in the broadcast material argued that these re-transmissions were unlicensed public performances<sup>123</sup> but yet again, the Copyright Act was silent on the use of this technology.

The controversy resulted in two split decisions from the Supreme Court. In 1968, the Court decided *Fortnightly Corp v. United Artists*.<sup>124</sup> The lower courts relied on *Buck v. Jewell-LaSalle Realty Co.* and concluded that transmission from the community antennas to homes counted as a public performance.<sup>125</sup> Despite this precedent, and the solicitor general's strong agreement with the lower court decision as amicus curiae,<sup>126</sup> the Court found no performance.<sup>127</sup> In the *Fortnightly* Court's view, working out the appropriate legal regime was a "job for Congress,"<sup>128</sup> the Court must take the Copyright Act as it found it.<sup>129</sup> The issue reared its head again only six years later; new technological features in CATV allowed the retransmitter to insert advertisements into the original programming. The Court's stance remained the same: regulation was still a task for Congress.<sup>130</sup>

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COPYRIGHT SOC'Y U.S.A. 7, 15–17 (1998) (describing industry lobbying efforts); Justin Miller, *Principles of Law Limiting Radio Broadcasting*, 9 F.R.D. 217 (1949).

122. Communications Act of 1934, Pub. L. No. 73-416, 48 Stat. 1064.

123. The original broadcasters had already negotiated licenses with the copyright holders to perform this content.

124. *Fortnightly Corp v. United Artists*, 392 U.S. 390 (1968).

125. *Fortnightly Corp v. United Artists*, 377 F.2d 872, 877 (2d Cir.1967).

126. *Fortnightly Corp.*, 392 U.S. at 401.

127. *Id.* The split once again was along institutional lines. While the majority felt that Congress was the forum to deal with such issues, Justice Fortas acknowledged that the case called "not for the judgment of Solomon but for the dexterity of Houdini." *Id.* at 402 (Fortas, J., dissenting). In his view, "applying the normal jurisprudential tools—the words of the Act, legislative history, and precedent—to the facts of the case is like trying to repair a television set with a mallet." *Id.* at 403.

128. *Id.* at 401 (majority opinion).

129. *Id.* at 401–02 ("We take the Copyright Act of 1909 as we find it.").

130. *Teleprompter Corp. v. Columbia Broadcasting Systems*, 415 U.S. 394, 414 (1974). Once again the Court was split on institutional lines. The majority held that "detailed regulation of these relationships . . . must be left to Congress," *id.*, while



### 3. *The Copyright Act 1976*

By the 1960s, the time for change was long overdue. Courts had “stretched the limits of statutory language”<sup>131</sup> to make the 1909 Act serviceable, but it was no longer enough. New technology repeatedly forced the judiciary to reconsider the nature of copyright and the respective roles that the court and legislature played. While some were prepared to avoid under-inclusive law through judicial activism, others stuck to the statutory vision of copyright upheld in the previous centuries. This recurring struggle within the judiciary made it necessary for Congress to step in and revisit copyright. As technology’s pace did not show any sign of abating, a new and less rigid copyright act was desired.

The new legislation structured the author’s exclusive rights in a dramatically different fashion than the 1909 Act. The experience under the 1909 Act demonstrated that narrowly constructed, rule-based copyright leads to under-inclusivity as technology changes the market. Congress was more aware than ever of the need to provide regulation that would keep pace with innovation. As the Copyright Office said:

The structural stresses of an outmoded law is also felt most keenly here. To the extent that the courts have stretched the limits of the statutory language, our “ancient” 1909 law has been made serviceable in the face of technological change. To the extent that courts have not been able to do this (for example, in the case of cable television and photocopying), we are left with a turn-of-the century statute in the age of computers, communication satellites and space travel.<sup>132</sup>

Due to the Copyright Office’s desire to prevent excess narrowness in the law, they recommended recasting “the exclusive rights provisions of the law in broad, simple terms.”<sup>133</sup> Other members of Con-

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the dissent was in “full agreement” with Justice Fortas’s dissent in *Fortnightly*, *id.* at 415 (Blackmun, J., dissenting).

131. Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 857–58 (1987).

132. U.S. COPYRIGHT OFFICE, 94TH CONG., BRIEFING PAPERS ON CURRENT ISSUES RAISED BY H.R. 2223, MAY 7, 1975, *reprinted in* 16 OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY 2051, 2053 (George S. Grossman ed., 2001) [hereinafter OMNIBUS COPYRIGHT REVISION].

133. *Id.* See also U.S. COPYRIGHT OFFICE, 89TH CONG., SUPPLEMENTARY REPORT OF REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL, pt. 6, at 13–14, (May 1965), *reprinted in* 4 OMNIBUS COPYRIGHT REVISION, *supra* note 132, pt. 6, ch. 2, at 13–14 (noting the difficulty of foreseeing technological changes, recommending adoption of “a general approach aimed at providing compensation to the author for future as well as present uses of his work that materially affect the value of his copyright” to guard against “confining the scope of an author’s rights on the basis of the present technology so that, as the years go by, his copyright loses much of its value because of unforeseen technical advances”); Litman, *supra* note 70, at 321 (“The Copyright Office had committed itself to seeking a consensus solution, and consensus jelled

gress and industry alike agreed with this tack. John Schulman, Chairman of the American Patent Law Association Committee on Copyright, said the approach of the law should be to adopt "broad language so that it is all inclusive."<sup>134</sup> John Summers, General Counsel for the National Association of Broadcasters, described the law as one "which, in all likelihood, will stand for many years to come" and therefore which "must be flexible, for the future holds in store even newer technologies."<sup>135</sup> Even more illustrative are the words of Kenneth Keating of American Book Company:

Most laws are written in response to past behavior. The copyright law must be prospective, taking into account the ingenious methods and devices that will transmit information in the future. For this reason the technical language of the copyright law will be very significant. It will be important to avoid too narrow language, which might inadvertently become too restrictive in the future. General language, when it is pertinent, may be more desirable.<sup>136</sup>

Perhaps these words of industry representatives are somewhat self-serving and ought to be taken with a grain of salt. Still, they do represent the types of argument that successfully persuaded Congress to drop specific, rule-based copyright entitlements dropped in favor of broad, flexible rights. Keeping the statutory wording general increased the courts' discretion to extend the legal framework to new technologies. As Professor Litman has explained, the use of general language in the 1976 Act "solved the problem of accommodating future technology" by casting authors' rights broadly to encompass new technologically facilitated uses of the work.<sup>137</sup>

When it came to derivative works, the need for flexibility was also present. The Register of Copyrights recommended that "the kinds of works to be protected . . . be specified in terms broad enough to cover everything now considered copyrightable, including future works presented in newly developed forms or media,"<sup>138</sup> thus freeing the

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around a strategy of granting broad rights in an expansive field of copyrightable works and subjecting the rights to specific, narrowly tailored exceptions.").

134. TRANSCRIPT OF MEETING ON PRELIMINARY DRAFT FOR REVISED U.S. COPYRIGHT LAW: DISCUSSIONS OF §§ 5-8 (Feb. 20, 1963) (statement of John Schulman), *reprinted in* 3 OMNIBUS COPYRIGHT REVISION, *supra* note 132, at 116.

135. *Copyright Law Revision, Hearing Before the Subcomm. on Courts, Civil Liberties, & the Administration of Justice of the H. Comm. on the Judiciary*, 94th Cong., pt. 2, at 780 (1975) (statement of John Summers, General Counsel, National Association of Broadcasters), *reprinted in* 15 OMNIBUS COPYRIGHT REVISION, *supra* note 132, at 780.

136. STAFF OF H. COMM. ON THE JUDICIARY, 89TH CONG., HEARINGS BEFORE THE SUBCOMM. NO. 3 OF THE COMM. ON THE JUDICIARY, pt. 1, at 63 (Comm. Print 1966) (statement of Kenneth B. Keating, on behalf of American Book Co. and other book publishers, May 26, 1965), *reprinted in* 5 OMNIBUS COPYRIGHT REVISION, *supra* note 132, at 63.

137. Litman, *supra* note 70, at 281.

138. REGISTER OF COPYRIGHTS, 87TH CONG., REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, pt. 1, at v (Comm. Print

courts from the statutory restrictions of the 1909 Act. The drafters therefore used a standard to define the scope of the derivative right. Using the "any other form" language in the definition made the right less rigid and fixed in time, while giving the court the ability to stretch the provision to new technologies.

Naturally, this did not mean that *every* possible new work would be a derivative work, no matter how loosely it was connected to the author's original. Some upper limit logically had to exist on the derivative work right.<sup>139</sup> On this ground, Congress rejected one proposal to give authors control over "derivative utilizations" of their work.<sup>140</sup> However, the drafters were so concerned with keeping the law flexible, that the statutory wording focused more on what the courts could do, rather than what they could not: the standards-based approach was permissive, rather than restrictive. Reducing the limits on the derivative work concept would ensure that under-inclusivity would no longer be a problem. Unlike the 1909 Act, which, according to Abe Goldman (General Counsel of the Copyright Office), was "limited" to "specified kinds of new versions," this new law was "broad" to cover "all works and all kinds of new works."<sup>141</sup>

### C. Derivative Works in Twentieth Century U.K. Copyright

Ironically, on the other side of the Atlantic, the opposite story was unfolding in the U.K. While the U.S. was struggling with under-inclusivity, the U.K. was struggling with over-inclusivity. Parliament worried that poorly drafted language could lead to the author controlling uses of his work that should be outside the scope of his right. The perceived problem of over-inclusivity eventually led the Parliament to

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1961) (summary of the report), *reprinted in* 3 OMNIBUS COPYRIGHT REVISION, *supra* note 132, at v.

139. See H.R. REP. NO. 94-1476, at 62 (1976) (noting that under the new law, to be a violation, "the infringing work must incorporate a portion of the copyrighted work in some form"), *reprinted in* 17 OMNIBUS COPYRIGHT REVISION, *supra* note 132, at 62.

140. See, e.g., STAFF OF H. COMM. ON THE JUDICIARY, 89TH CONG., 1964 REVISION BILL WITH DISCUSSIONS AND COMMENTS, pt. 5, 216 (Comm. Print 1965) (statement of Bella Linden regarding derivative works during a meeting on the 1964 revision bill, noting, "[T]he word 'adaptation' . . . cuts down rather than amplifies the intention of including in a 'derivative work' any work 'based upon' one or more pre-existing works," suggesting instead a more expansive set of "derivative utilizations"), *reprinted in* 4 OMNIBUS COPYRIGHT REVISION, *supra* note 132, pt. 5, at 216; *id.* at 58 (statement of Edward Sarogy during the same meeting, asserting that the term "derivative utilizations" better accounts for adaptations, like dramatizations, which cannot be fixed in physical form), *reprinted in* 4 OMNIBUS COPYRIGHT REVISION, *supra* note 132, pt. 5, at 58.

141. TRANSCRIPT OF MEETING ON PRELIMINARY DRAFT FOR REVISED U.S. COPYRIGHT LAW: DISCUSSIONS OF §§ 5-8 (Feb. 20, 1963) (statement of Abe Goldman), *reprinted in* 3 OMNIBUS COPYRIGHT REVISION, *supra* note 132, at 109.

adopt a rule-based approach to adaptations. Clearly defining the author's right would prevent over-inclusivity, while flexibility to deal with technological change could be found elsewhere in the system.

### 1. *The 1911 Act and the Gramophone Case*

Like the U.S., the U.K. adopted a new copyright law at the start of the century. The 1911 Copyright Act gave the author the right to copy the work, defined expansively to include the right to adapt the work. The statute stated specifically that the right to copy would include the ability to translate the work, to convert dramatic works into nondramatic works, to convert nondramatic works into dramatic works, and to mechanically deliver the work through mediums such as motion picture.<sup>142</sup>

The most important event to shape the history of the U.K.'s adaptation right came in the 1930s and involved the issue of public performance rights of gramophones. The 1911 Act granted gramophone producers the exclusive right to copy their records and granted the right holder the exclusive right to perform these works publicly. However, the legislative history made clear that this right was intended to extinguish when a customer bought a record.

During the parliamentary committee preceding the 1911 Act, the issue of public performance rights in gramophone records had arisen. The Gramophone Company made a request that they be given a public performance right but also explained that this right would transfer to the record buyer upon sale. The committee chairman, Lord Gorrell, specifically quizzed the Gramophone Company representative on this point. He asked him: "Let us understand the position, that the purchaser of a disc should not merely acquire the right to use it in his own private surroundings like the singing of a song, but to use it in public?"<sup>143</sup> To which the representative responded, "yes."<sup>144</sup> Elaborating on this answer, the representative stated: "We think it is perfectly reasonable to grant that concession. It is not a matter that would affect us personally as manufacturers, but it would affect a considerable number of our clients and customers."<sup>145</sup> Trying to maintain absolute clarity on this matter, Gorrell posed a follow-up question: "[t]hen, buying any rights from the author originally would include that right of public performance on the part of any purchaser of the disc from the manufacturers?"<sup>146</sup> Once again, the answer was affirmative.<sup>147</sup>

142. Copyright Act, 1911, 1 & 2 Geo. 5, c. 46, § 2 (Eng.), available at [http://www.legislation.gov.uk/ukpga/1911/46/pdfs/ukpga\\_19110046\\_en.pdf](http://www.legislation.gov.uk/ukpga/1911/46/pdfs/ukpga_19110046_en.pdf).

143. BOARD OF TRADE, REPORT OF THE COMM. ON THE LAW OF COPYRIGHT, 1909, Cd. 4976, at 50 (U.K.).

144. *Id.*

145. *Id.*

146. *Id.*

However, Parliament failed to draft the Copyright Act's provision on gramophones in a way that reflected this outcome. At one point, the statute provided that copyright existed in gramophone records "in like manner as if such contrivances were musical works."<sup>148</sup> Musical works were subject to a performance right that did not extinguish upon sale of the work. The Gramophone Company later exploited this lax language and used it to their advantage.

In 1931, Gramophone Company brought a case against Stephen Carwardine.<sup>149</sup> Carwardine owned and ran a series of coffee and tea shops around England. Gramophone Company accused him of playing one of their records in his shop in Bristol. The gramophone in question was a recording of Daniel Auber's 1831 composition *The Black Domino* performed by the London Symphony Orchestra. By this time, the original musical composition was in the public domain. The Gramophone Company therefore had no public performance rights in the musical composition. To prevent Carwardine's actions, Gramophone Company could only argue that Carwardine had infringed the right of public performance attached to the gramophone record. Under that theory, Gramophone argued that their copyright existed "in like manner" as musical works, and, therefore, their right of public performance did not extinguish upon the sale of the record to Carwardine. Without consulting legislative history, Justice Maugham agreed with the Gramophone Company's construction of this provision, and with that, a new right within the copyright framework emerged.<sup>150</sup> As a result of legislative ambiguity, the court fundamentally altered copyright in gramophones in a way that many disliked.

The chagrin rooted at the heart of this decision was that it made way for another collecting society. Within a year, the newfound ability of gramophone producers to control the public performance of records made it profitable to set up Phonographic Performance Ltd., a collecting society for the licensing of gramophone performance rights. This came at a time when the public was already unhappy about existing collecting societies. They were perceived as monopolists, charging exorbitant prices.<sup>151</sup> This anger had reached such a pitch that

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147. *Id.*

148. Copyright Act 1911, *supra* note 142, §19(1).

149. Gramophone Company Ltd. v. Stephen Carwardine & Co., [1934] 1 Ch. 450.

150. *Id.* at 459.

151. See, e.g., *Commons and Music Copyright: Performing Rights Society Attacked "THIS OCTOPUS" Exorbitant Charges Alleged*, MANCHESTER GUARDIAN, Nov. 23, 1929, at 18; *Super-Monopoly in Music: Safeguards Needed APPEAL TRIBUNAL SUGGESTED*, MANCHESTER GUARDIAN, July 12, 1930, at 20; *Musical Copyright Bill: "Monopoly Power" Attacked CRITICISM OF PERFORMING RIGHT SOCIETY*, MANCHESTER GUARDIAN, Feb. 21, 1930, at 15.

Parliament had been forced to address the issue a mere three years earlier.<sup>152</sup>

2. *The Copyright Act 1956 and the Copyright, Designs, and Patents Act 1988*

When the U.K. came to revise its law in the 1950s, the gramophone controversy continued. In 1952, a report from the Copyright Committee was openly hostile to the gramophone public performance right.<sup>153</sup> They found it difficult to accept the principle that someone should be able to control the use of a good after the sale of it<sup>154</sup> and highlighted the negative effects that this had on prices.<sup>155</sup> This controversy continued as the members of Parliament began to discuss copyright revision.<sup>156</sup> One parliamentarian lambasted this state of affairs because “it was never intended by parliament” and it “came into the Act . . . by a side wind.”<sup>157</sup>

So great was this controversy that it affected how Parliament viewed other issues in copyright. This was particularly the case with adaptations. The new Act provided the author with a right to make adaptations and defined adaptation in a narrow, rule-based fashion. The term adaptation was defined as follows:

In this Act “adaptation”—

- (a) in relation to a literary or dramatic work, *means* any of the following, that is to say,—
  - (i) in the case of a non-dramatic work, a version of the work (whether in its original language or a different language) in which it is converted into a dramatic work;

152. *See Musical Copyright Bill*, HANSARD, available at <http://hansard.millbanksystems.com/commons/1929/nov/01/musical-copyright-bill> (last visited Feb. 7, 2014).

153. The Report of the Copyright Committee presented by the President of the Board of Trade to Parliament in October 1952 (London, Her Majesty's Stationery Office) (Reprinted 1968).

154. *Id.* at 51 (“[W]e should have found it difficult in any event to accept the contention that, after selling his wares for a price which he himself has fixed, the record manufacturer was thereafter justified in controlling the use to which they were subsequently put, or of preventing their use altogether. This principle, if applied generally in trade, would produce astonishing results.”).

155. *Id.* at 52 (“After the decision in the Cawardine case licenses were at first freely issued. This is no longer the position. Phonographic Performance, Ltd., like the Performing Right Society does not issue licenses freely. The rates naturally differ between the different classes of performance and the nature of the occasion of the performance, Ltd., pays 20 per cent of the net distributable revenue for the benefit of the artistes who have recorded. . . . The company undoubtedly does control the rights in gramophone records amounting in fact, to something very little short of a monopoly so far as users are concerned.”).

156. 511 PARL. DEB., H.C. (5th ser.) (1953) 1905–1906 (U.K.) (comments of Mr. Hudson).

157. 179 PARL. DEB., H.L. (5th ser.) (1953) 1147 (U.K.).

- (ii) in the case of a dramatic work, a version of the work (whether in its original language or a different language) in which it is converted into a non-dramatic work;
- (iii) a translation of the work;
- (iv) a version of the work in which the story or action is conveyed wholly or mainly by the means of pictures in a form suitable for reproduction in a book, or in a newspaper, magazine or similar periodical; and
- (b) In relation to a musical work, *means* an arrangement or transcription of the work, . . .<sup>158</sup>

During the legislative debates, some members of Parliament argued that clause (a) should be amended and that the word “means” should be replaced with the word “include.” Such an alteration would transform the exhaustive list of protected adaptations into an open-ended set of examples. Lord Lucas was one such voice advocating for the use of the word “include.” He recognized that this was the first time that legislation attempted to define the concept of adaptation and believed that they “better do the job completely.”<sup>159</sup> He believed this approach superior because it covered “every possible adaptation that one could think of.”<sup>160</sup> However, his proposal was rejected. Lord Mancroft, one of the opponents to the proposal, explained that inserting the word “includes” might “open the door to disputes and litigation.”<sup>161</sup> This, he felt, was one thing they were “seeking to avoid.”<sup>162</sup> The experience of *Carwardine* demonstrated how litigation could lead to the formation of undesirable law over which Parliament had little control, and the drafters were reluctant to risk a repeat through more loose language. Earl Jowitt, referencing the gramophone public performance right when refusing to adopt the word “include,” said the following:

We do want to get this matter as clear as we can, and we must have in our minds for ever the unfortunate matter that arose under the last Copyright Act when, by a misadventure which was never intended by Parliament, a new right was given because the language was unfortunate. That must be our excuse, if any is needed, for scrutinising this Bill particularly carefully.<sup>163</sup>

Mancroft agreed with this sentiment and concurred that they did not want any “mischances as occurred last time.”<sup>164</sup> The word “include” was, therefore, not adopted.

In 1988, the Copyright, Designs, and Patents Act was replaced by the Copyright Act. This new Act retained the rule-based approach to adaptations and is still the governing statute presently.<sup>165</sup> Once

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158. Copyright Act 1956, § 2(6) (U.K.) (emphasis added).

159. 194 PARL. DEB., H.L. (5th ser.) (1955) 862 (U.K.).

160. *Id.* at 863.

161. *Id.* at 864.

162. *Id.*

163. *Id.* at 865.

164. *Id.* at 866.

165. Copyright, Designs, and Patents Act, 1988, c. 48, § 21(3) (U.K.).

again, however, some suggested that the provision ought to be broader in order to deal with unforeseen technologies.<sup>166</sup> Others, however, felt that this flexibility already existed elsewhere in the copyright system. The author's exclusive right to copy was defined not only to include the ability to prohibit verbatim copies, but also the ability to prohibit the copying of a "substantial part"<sup>167</sup> of his work in "any material form."<sup>168</sup> This provided enough flexibility for the courts to include future technological advancements as and when necessary.<sup>169</sup> As a result, no changes were made to the adaptation definition and the rule-based approach still governs today.<sup>170</sup>

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166. Sir Geoffrey Pattie pointed out such need for flexibility. See 132 PARL. DEB., H.C. (6th ser.) (1988) 541 (U.K.) (questioning whether the adaptation definition "adequately prepare[d] the way forward to cover developing technologies"). Pattie went on to note that "[n]o one expects the Government to go in for futurology to such an extent that they can anticipate what technology may throw up in the next 10 or 15 years, but somehow the Bill must find a way of providing a framework to cope with problems as they develop." *Id.* Pattie ultimately felt that this was "extremely narrow" and in that respect "inadequate" to deal with the future technologies that would arise. *Id.* He preferred an adaptation clause that was informed by the view that the "copyright is a broad and simple concept" infringed upon by the appropriation of ideas. *Id.* at 542.

167. Copyright, Designs, and Patents Act, 1988, c. 48, § 16(3) (U.K.).

168. Copyright, Designs, and Patents Act, 1988, c. 48, § 17(2) (U.K.).

169. 490 PARL. DEB., H.L. (5th ser.) (1987) 1173 (U.K.) (Lord Beaverbrook stating that although there was a tendency for copyright to become "too rigid to adapt to particular or changing circumstances" this could be avoided because the "undefined concept of 'substantial part' gives the law a desirable, indeed a necessary, flexibility").

170. This approach is still the governing law today. However, two additions were made to the law post 1988. The right today gives the creators of computer programs and databases the right to make "arrangements," "altered versions," and "translations." Copyright, Designs, and Patents Act, 1988, c. 2, § 21(3) (U.K.). These rights were imported into British law in order to comply with EU directions.

The provision on copyright programs was a response to EU Directive 91/250/EEC on the Legal Protection of Computer Programs, 14 May 1991. The provision on databases was a response to EU Directive 96/9/EC on the Legal Protection of Databases, 11 March 1996. Each of these was then introduced into the law by secondary legislation. See The Copyright (Computer Programs) Regulations, 1992, S.I. 1992/3233; The Copyright and Rights in Databases Regulations, 1997, S.I. 1997/3032. Interestingly, due to their importation via secondary legislation, Parliament did not debate these provisions. It is very much an open question what the drafters of the Copyright Act 1956 or CDPA 1988 would have thought of these provisions.

In the only case in which the provision on adaptations of computer programs was raised, the court refused to interpret the statutory wording. See *Point Solutions Ltd. v. Focus Business Solutions Ltd.*, Focus Solutions Group, PLC., [2005] EWHC (Ch) 3096 (Eng.). Other litigation surrounding computer programs and databases has concerned the right of reproduction. See, e.g., *John Richardson Computers Ltd. v. Flanders*, [1993] F.S.R. (Ch) 497 (Eng.); *IBCOS Computers v. Barclays Mercantile Highland Fin. Ltd.*, [1994] F.S.R. (Ch) 275 (Eng.); *Attheraces Ltd. v. British Horseracing Board Ltd.*, [2007] EWCA (Civ) 38 (Eng.); *Autospin*



## D. Summary

The historical analysis reveals the tension from which the modern derivative work right was formed. A restrictively written, rule-based approach to derivative works may leave the law stagnant, unable to incorporate new technologies into the copyright system. As demonstrated by the U.S. experience with new technologies under the 1909 Act, the law could become under-inclusive, leaving authors defenseless against new forms of copying. To avoid such under-inclusivity, the U.S. relied on a standards-based approach to derivative works that could flexibly incorporate new technology-enabled adaptations.

On the other hand, writing vague, general terminology into the law is also dangerous. As demonstrated by the U.K. experience with the gramophone case, the loosely crafted statutory language could lead to rapidly expanding law. The U.K., therefore, hoped to find some middle ground. Parliament chose to restrain the potential for over-inclusivity in the adaptation right by adopting a rule-based approach to the issue. Unlike the U.S. 1909 Act, however, they mitigated any potential for under-inclusivity by relying on flexibility in the right of reproduction.

## II. MODERN DOCTRINE OF THE DERIVATIVE WORK RIGHT IN ANGLO-AMERICAN COPYRIGHT

Since the U.S. and U.K. adopted different legislative solutions to the derivative work right, U.S. law has become much broader than its U.K. counterpart. The lack of limits on the U.S. derivative work concept allows the right to easily extend to novel types of derivative works. The situation is different in the U.K. Novel derivative works do not infringe the adaptation right because they are not specifically mentioned within the statute. In this case, the derivative work will only infringe copyright if it infringes the right of reproduction. However, not all derivative works are capable of infringing the right of reproduction. As a result, many derivative works that infringe U.S. copyright by virtue of the broad derivative work right, do not infringe either the U.K.'s right to make adaptations or its right of reproduction. To demonstrate the difference, this part shall first provide an overview of the U.S. and U.K. reproduction and derivative work rights. It shall then use specific examples of novel derivative works to illustrate when the systems produce different results and when they produce analogous results.

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(Oil Seas) Ltd. v. Beehive Spinning [1995] 23 R.P.C. (Ch) 683 (Eng.); Cantor Fitzgerald Int'l v. Traditional (U.K.) Ltd., [2000] 4 R.P.C. (Ch) 95 (Eng.); Designers Guild Ltd. v. Russell Williams (Textiles) Ltd., [2001] F.S.R. (H.L.) 11 (Eng.). A special thanks goes to Jeremy Phillips who asked the readers of the "1709 Blog" whether they could think of any cases in which these provisions were interpreted.

## A. The Right of Reproduction

The right of reproduction is quite similar in the U.K. and the U.S. Both have flexible rights that use market competition to determine infringement.

### 1. *The U.K. Doctrine*

In the U.K., authors are provided with a right to make copies.<sup>171</sup> To infringe this right, the defendant must factually copy the protected work. This requires a reproduction of the protected expression found in the author's work. However, factual copying need not take place in the same form. Copying in the statute "means reproducing the work in any material form."<sup>172</sup> Therefore, taking a photograph of a painting would be a reproduction; the expression does not change, only the form in which it is presented. At the same time, the infringer need not copy the whole amount of the expression. Infringement will occur if a "substantial part" of the protected work is copied.<sup>173</sup>

When determining if infringement has occurred, the courts ask whether the defendant's work competes in the market with the plaintiff's work. Most cited for this proposition is *Weatherby & Sons v. International Horse Agency and Exchange Ltd.*,<sup>174</sup> where the court held that the "real and only test as to whether or not the defendants have made an unfair use of [the copyright holder's work] lies in the answer to the question [of] whether there will be any competition between such volume and the defendant's book."<sup>175</sup> More recently, *Ravenscroft v. Herbert* held that market competition was important in determining what counted as a "substantial part."<sup>176</sup>

As a practical illustration of the role of competition, consider *Sillitoe v. McGraw-Hill Book Co. Ltd.*<sup>177</sup> The claimants were the copyright holders of a number of plays. The defendants distributed "study notes" for these plays. These were companion books aimed at students. They summarized the plays of the claimant and offered analysis and criticism. In doing so, they copied small passages of the works. The copied text extracts totaled five percent of the copyright holder's work. The claimants alleged that these infringed the right of reproduction. However, it was questionable whether any meaningful qualitative or quantitative copying had occurred. The five percent figure was relatively small, and it was not clear whether the defendants took the most vital parts. The issue, therefore, was greatly influenced by

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171. Copyright, Designs, and Patents Act, 1988, c. 48, § 16(1)(a) (U.K.).

172. *Id.* § 17(2).

173. *Id.* § 16(3)(a).

174. [1910] 2 Ch. 297.

175. *Id.* at 304–05.

176. [1980] 7 R.P.C. 193, 203.

177. [1983] F.S.R. 545.

the nature of competition between the works. The claimant's lawyer argued that the study notes were a "commercially competitive substitute" that students could buy instead of reading the entire play.<sup>178</sup> This argument was aided by the fact that the defendant's works came with an attached disclaimer saying that: "[t]he notes are not a substitute for the text itself . . . and the student who so attempts to use them is denying himself . . . [an] education."<sup>179</sup> The defendant tried to market these as a "supplementary aid" rather than a competitor.<sup>180</sup> However, the very fact that a disclaimer was necessary in order to inform readers that the notes should not be considered as substitutes for the original plays was indicative of real market competition. Students would buy the defendant's works as opposed to the original works. It was therefore held to be a copyright infringement.

## 2. *U.S. Doctrine*

Likewise, in the U.S., the author is given a right to make copies.<sup>181</sup> Copies are defined as a "material object" in which a "work is fixed" and "from which the work can be perceived, reproduced, or otherwise communicated."<sup>182</sup> Once again, in order to infringe this right, some of the expression must be reproduced. However, the copying need not take the same form. Copying may be nonliteral.<sup>183</sup>

The new, copied work will infringe copyright if it is substantially similar to the original work. Although there is some variation between the circuits on the precise test, a work will usually be substantially similar if a consumer would perceive the two works as substitutes. The Second Circuit will label a copy as substantially similar if the defendant "took from plaintiff's works so much of what is pleasing" to the audience for whom the original work was composed "that defendant wrongfully appropriated something."<sup>184</sup> The Ninth Circuit, similarly, has stated that a work will be substantially similar if an "ordinary, reasonable audience would find the works substantially similar in total concept and feel."<sup>185</sup> This ordinary, reasonable audience varies to reflect the consumer for which the original work was developed. For example, in a case involving video games aged at teenage boys, the court said the audience that had to perceive similarities was the 17.5-year-old boy.<sup>186</sup> The question of substantial simi-

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178. *Id.* at 560.

179. *Id.* at 553.

180. *Id.* at 545.

181. 17 U.S.C. § 106(1) (2006).

182. *Id.* at § 101.

183. *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930).

184. *Arnstein v. Porter*, 154 F.2d 464, 473 (2d Cir. 1946).

185. *Cavalier v. Random House, Inc.*, 297 F.3d 815, 822 (9th Cir. 2002).

186. *Data E. USA, Inc. v. Epyx Inc.*, 862 F.2d 204, 209–10 & n.6 (9th Cir. 1988); *see also Dawson v. Hinshaw Music, Inc.*, 905 F.2d 731, 736 (4th Cir. 1990) ("When

larity is analogous to the competitive relationship test in the U.K. If consumers perceive similarities, the works are economic substitutes in their eyes. The two works, therefore, would compete in the market for the consumers' patronage. If this is the case, the second work is substantially similar to the first work.<sup>187</sup>

## B. The Derivative Work Rights

Although the U.S. and U.K. adopted different derivative work rights, there are still some similarities between the adaptation right in the U.K. and the derivative work right in the U.S. Particularly, they both give the author some control over ancillary markets, i.e. different markets to the one that the original work occupies. As Professor Goldstein has articulated, "motion pictures, translations and comic strips based on [a] novel will all infringe the derivative right because they add new expressive elements and serve markets that differ from the market in which the original was first introduced."<sup>188</sup> This is different to the right of reproduction, which is infringed when a defendant's work enters into the same market as the one that the original occupies.

However, from that group of potential derivative works, U.K. law is far narrower. Where the U.S. gives every author the right to exclude any type of derivative work,<sup>189</sup> the U.K.'s law precisely states what types of adaptation the author can exclude from ancillary markets.<sup>190</sup> If the original author creates a literary work, this right enables him to translate the work, to make the work into a dramatic work, and to make a version of the work in which the story is portrayed through pictures. The authors of dramatic works receive the exclusive right to transform the work into a nondramatic form. The authors of musical works receive the right to arrange or transcribe their works. Finally, both computer programs and databases receive the right to make arrangements, altered versions, or translations.<sup>191</sup> Therefore, while the U.S. allows the courts to incrementally advance the scope of the derivative right, the U.K. binds the courts' hands through clear statutory wording.

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conducting the second prong of the substantial similarity inquiry, a district court must consider the nature of the intended audience of the plaintiff's work.").

187. See Paul Goldstein, *supra* note 54, at 217 (where a second work does not create "a new market," it is likely to infringe the reproduction right rather than the adaptation right).

188. Paul Goldstein, *supra* note 54, at 217.

189. See 17 U.S.C. § 101 (2006) (defining "derivative work").

190. Copyright, Designs, and Patents Act, 1988, c. 48, § 21(3) (U.K.).

191. *Id.*; see *supra* text accompanying note 170.

### C. The Differences Between the Two Approaches

Having provided an overview of the two regimes, we can now look at some instances where the two approaches lead to different case outcomes. Due to the lack of internal limits on the definition of derivative work, U.S. authors can exclude a far greater number of derivative works from the market than U.K. authors can. These derivative works often do not infringe the U.K. adaptation right and often do not reproduce sufficient protected expression to infringe the right of reproduction.

#### 1. *Supplementary Works*

The U.S. derivative works right allows the author to control adaptations that, while incorporating very little or no content from the original work, build on that work in some supplementary fashion. One illustrative example comes from the *Worlds of Wonder* cases.<sup>192</sup> In these cases, the plaintiff manufactured a toy teddy bear, called Teddy Ruxpin. Inside each bear was a cassette tape that made the bear speak and move. The defendants produced their own cassette tapes for use in the plaintiff's bears. These cassette tapes also allowed the bear to speak and move. However, the speech used was entirely different. Rather than copy the wording used in the plaintiff's cassettes, the defendants' cassettes performed public domain fairytales. The court held this was an infringement of the derivative work right. The court found substantial similarity based on the similitude of the voices in each tape, the method and sound for signaling the end of a section of speech, and the similar visual movement performed by the bear.

This situation is unlikely in the U.K. The adaptation right provides no ability for the creator of Teddy Ruxpin to control the market for interoperable tapes. The artistic copyright in the bear is not infringed by the making of the derivative tapes,<sup>193</sup> while the sound recording copyright in the cassette tapes receives no adaptation right at all.<sup>194</sup> Nor would this infringe the right of reproduction. The defendant neither copied any artistic qualities of the bear nor any of the speech actually found on the plaintiff's cassette tapes. But even more salient is the lack of a competitive nature between these works. The defendants' work did not supplant the demand for the plaintiff's work. Instead, in order to use the defendants' tapes, the consumer had to first buy the plaintiff's bear. If anything, this may have had a complementary effect on the plaintiff's sales; more people would buy the bear because of the increased story-telling options presented by the defend-

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192. See cases cited *supra* note 6.

193. Copyright, Designs, and Patents Act, 1988, c. 48, § 21(3) (U.K.).

194. *Id.*

ants' work. As a result, this would be unlikely to infringe the U.K. reproduction right.

One other infamous case further illustrates this point. In *Castle Rock Entertainment, Inc. v. Carol Publishing Group, Inc.*,<sup>195</sup> the defendants produced a trivia book about the popular TV show *Seinfeld* (*The Seinfeld Aptitude Test*). The book contained 550 trivia questions about the plot and characters in the show, forty-one of which included direct quotation from the show. Most quoted was an episode called the *Cigar Store Indian* from which between 3.6% to 5.6% of the dialogue was quoted. The court held this amounted to quantitative copying, and this was, therefore, a substantially similar work, which infringed copyright.<sup>196</sup>

Such a use would not infringe the U.K. right to make adaptations. The author of an audio-visual program has no statutory right to make supplementary works like the *Seinfeld Aptitude Test*. At the same time, claiming the defendant's work was a reproduction would involve making a spurious argument that it competed in the market with the plaintiff's work. It is highly unlikely that a consumer with demand for the TV show would be able to satisfy that demand through buying the trivia book. Indeed, in the *Sillitoe* case, the defendant's main argument was that his study notes were supplementary works. The defendant recognized that, if the court were to classify the study notes as supplementary works, then liability would be unlikely.

## 2. *Unfixed Adaptations*

This refers to a situation where the defendant creates a product that, when used in conjunction with the plaintiff's original work, modifies that original work. However, when the two goods, the defendant's product and the copyrighted work, are not used in conjunction, no derivative work occurs. The derivative work is therefore not fixed but is temporary and contingent upon other factors.

This controversy was presented in *Midway Manufacturing Co. v. Artic International, Inc.*<sup>197</sup> The plaintiff in this case made video games. These games functioned through the use of internal circuit boards. The circuit boards were capable of causing pictures and sounds to appear on a television screen, and as such, they were protectable as audio-visual works. In order to use the video games, the customer had to own a particular machine that facilitated the transaction between circuit board and television display. The defendant also sold circuit boards. These were not copies of the plaintiff's boards, and

195. 150 F.3d 132 (2d Cir. 1998).

196. See also *Twin Peaks Prods. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1370 (2d Cir. 1993) (holding that a book based on the TV show *Twin Peaks* infringed copyright).

197. 704 F.2d 1009 (7th Cir. 1983).

they did not reproduce any of the images and sound that afforded the plaintiff's work copyright protection. But when the defendant's boards were entered into the machine alongside the plaintiff's boards, the nature of the video game changed. For example, one such board sped up the video game, thereby making the pictures and sound displays faster than normal. One other altered the sounds of the video game altogether. These adaptations, however, were unfixed. They were temporary and not permanent. If the defendant's board was removed, the plaintiff's video game returned instantly to its original state. The court held this to infringe the general derivative works right.

But the same result could not happen in the U.K. The adaptation right does not provide the author of audio-visual the exclusive right to make interoperable circuit boards. In which case, the copyright holder's only hope is to demonstrate that this use of his work counts as a reproduction. Yet, this is plainly not a reproduction. The defendant has not in fact reproduced any of the protected expression; he has merely created something that interacts with the expression. Furthermore, there is certainly no competitive market relationship between these products. These works were not substitutes, but instead complements. In order to use the defendant's work, the consumer had to already have bought the plaintiff's video game. As a result, demand for the plaintiff's work was not diminished by the defendant's work.

### 3. *Mounting the Work*

An example of mounting can be found in *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*<sup>198</sup> The plaintiff in this case published books of artwork. The defendants bought these works, cut the artwork out, glued the artwork onto ceramic tiles, and sold the tiles to the public. The court held this infringed the copyright because the defendant had made "another version" of the plaintiff's work.<sup>199</sup>

On the other hand, the same situation does not occur under U.K. law. The authors of artistic works (or any other work) do not receive a right to mount the work. The only way for these works to infringe copyright is if they are deemed reproductions. But such an outcome is impossible because neither defendant *reproduced* the protected expression. The defendant had not actually copied the work resulting in a duplicate. They had only modified the original. As a result, there is no competitive relationship between the two works. Indeed, they are not two works at all but the same work at different stages in time. In

198. 856 F.2d 1341 (9th Cir. 1988). *See also* Muñoz v. Albuquerque A.R.T. Co., 829 F. Supp. 309, 314-15 (D. Alaska 1993) (holding "the decision in *Mirage* compels the court's conclusion: ART violated the Muñoz copyrights"); Lee v. A.R.T. Co., 125 F.3d 580, 582-83 (7th Cir. 1997) (holding the opposite to *Mirage Editions* on very similar facts).

199. *Mirage*, 856 F.2d at 1343.

addition, the European Union equivalent of the first-sale doctrine applies.<sup>200</sup> The author's economic rights in the specific goods the defendant bought have exhausted upon sale. The defendant, therefore, does not infringe an author's economic rights if he mounts or rearranges those goods and then sells them.

#### 4. *Sampling Small Quantities*

The next issue to illustrate the differences is that of sampling small amounts. This refers to the use of digital technology to extract a portion of music from a sound recording and to thereafter include that extraction somehow in a new sound recording. The U.S. has controversially found that this infringes copyright law. In *Bridgeport Music Inc. v. Dimension Films*,<sup>201</sup> a sample was taken from the plaintiff's work. The sample was two seconds long. The defendant thereafter lowered the pitch of the sample, looped it, and extended it for sixteen beats. The sample was then repeated five times throughout the song. The court held this to be an infringement.

Once again, the situation would be different in the U.K. The concept of adaptation is defined restrictively not to include sound recordings. In order to demonstrate infringement, the plaintiffs would be required to show how this qualified as a reproduction. Such a conclusion would, however, be difficult once again because of the absence of a competitive relationship between the plaintiff's and defendant's work. The unlikelihood of consumers switching from the plaintiff's sound recording to the defendant's work on the basis of a two-second sample would suggest that this is not within the same market as the original and is therefore not infringement. Of course, that does not mean all cases of sampling are exempt from copyright. If it can be shown that the sample amounted to such a qualitative or quantitative amount that a competitive relationship existed, then an infringement would occur.

### D. The Similarities Between the Two Approaches

The U.K.'s adoption of a rule-based approach therefore leads to different case outcomes in some instances of novel derivative works. However, it does not lead to different results in every case. Many similarities still exist between the two regimes. Four examples demonstrate how often adaptations that infringe the U.S. derivative work right often fall within the U.K. reproduction right.

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200. See Case 19/84 Pharmon B.V. v. Hoechst AG, [1985] 3 C.M.L.R. 775, para. 22; Case C-324/08 Marko CV. v. Diesel SpA., [2010] Bus LR 608, para. 19–57.

201. 410 F.3d 792 (6th Cir. 2005).



### 1. Remixes

In the past twenty years various forms of amateur adaptations have formed on the Internet. The literature on this phenomenon is already quite well-developed.<sup>202</sup> The term remix culture indeed concerns various different types of adaptations. For example, music mash-ups<sup>203</sup> (the synthesis of two individual songs into one whole new song), anime music videos<sup>204</sup> (the combination of music to scenes of animated video), and fan fiction<sup>205</sup> (the reworking of popular television shows, films, and books into new short stories) are all part of this culture. Take, for example, a music mash-up. Often these are created when a user takes the vocal track from one sound recording and the instrumental track from another and combines them. While some of these works will be protected under the U.S. fair use standard, many still initially infringe the derivative works right.

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202. See, e.g., LAWRENCE LESSIG, REMIX: MAKING ART AND COMMERCE THRIVE IN THE HYBRID ECONOMY (Penguin Press 2008); Lisa Veasman, Note, "Piggy Backing" on Web 2.0 Internet: Copyright Liability and Web 2.0 Mashups, 30 HASTINGS COMM. & ENT. L.J. 311 (2008); Robert P. Merges, *Locke Remixed* :-), 40 U.C. DAVIS L. REV. 1259 (2007); Michael Katz, *Recycling Copyright: Survival & Growth in the Remix Age*, 13 INTELL. PROP. L. BULL. 21 (2008); Steven Hetcher, *Using Social Norms to Regulate Fan Fiction and Remix Culture*, 157 U. PA. L. REV. 1869 (2009); Steven Hetcher, *The Kids Are Alright: Applying a Fault Liability Standard to Amateur Digital Remix*, 62 FLA. L. REV. 1275 (2010); Rebecca Tushnet, *Hybrid Vigour: Mashuos, Cyborgs, and Other Necessary Monsters*, 6 I/S: J. L. & POL. 1 (2010); Thomas W. Joo, *Remix Without Romance*, 44 CONN. L. REV. 415 (2011); Robert M. Vrana, Note, *The Remix Artist's Catch-22: A Proposal for Compulsory Licensing for Transformative, Sampling-Based Music*, 68 WASH. & LEE L. REV. 811 (2011); Rebecca Tushnet, *Scary Monsters: Hybrids, Mashups, and Other Illegitimate Children*, 86 NOTRE DAME L. REV. 2133 (2011) [hereinafter Tushnet, *Scary Monsters*].
  203. See, e.g., Emily Harper, Note, *Music Mashups: Testing the Limits of Copyright Law As Remix Culture Takes Society by Storm*, 39 HOFSTRA L. REV. 405 (2010).
  204. See, e.g., Tushnet, *Scary Monsters*, *supra* note 202; Patrick McKay, *Culture of the Future: Adapting Copyright Law to Accommodate Fan-Made Derivative Works in the Twenty First Century*, 24 REGENT U. L. REV. 117 (2011).
  205. See, e.g., Rebecca Tushnet, Note, *Legal Fictions: Copyright, Fan Fiction, and a New Common Law*, 17 LOY. L.A. ENT. L. REV. 651 (1997); Meredith McCardle, *Fan Fiction, Fandom, and Fanfare: What's all the Fuss?*, 9 B.U. J. SCI. & TECH. L. 433 (2003); Leanne Stendell, *Fanfic and Fan Fact: How Current Copyright Law Ignores the Reality of Copyright Owner and Consumer Interests in Fan Fiction*, 58 SMU L. REV. 1551 (2005); Mollie E. Nolan, Note, *Search for Original Expression: Fan Fiction and the Fair Use Defense*, 30 S. ILL. U. L.J. 533 (2006); Sonia K. Katyal, *Performance, Property, and the Slashing of Gender in Fan Fiction*, 14 AM. U. J. GENDER SOC. POL'Y & L. 461 (2006); Anupam Chander & Madhavi Sunder, *Everyone's a Superhero: A Cultural Theory of "Mary Sue" Fan Fiction as Fair Use*, 95 CALIF. L. REV. 597 (2007); Aaron Schwabach, *The Harry Potter Lexicon and the World of Fandom: Fan Fiction, Outsider Works, and Copyright*, 70 U. PITT. L. REV. 387 (2009); Rachel L. Stroude, Note, *Complimentary Creation: Protecting Fan Fiction as Fair Use*, 14 MARQ. INTELL. PROP. L. REV. 191 (2010); Stacey M. Lantagne, *The Better Angels of Our Fanfiction: The Need for True and Logical Precedent*, 33 HASTINGS COMM. & ENT. L.J. 159 (2011).

Often these too will infringe U.K. copyright. Although they do not fall within the right to make adaptations, they often infringe the right of reproduction.<sup>206</sup> When the remix takes sufficient amount of the original work's expression, a competitive market relationship is quite plausible. In this case, the right of reproduction would apply.

## 2. *Colorization of Motion Pictures*

The colorization of old black-and-white movies is a technology that developed in the mid '80s and which came to fruition as the U.K. revised the copyright laws. In the U.S., the Copyright Office has signaled that it considers these colorizations as derivative works.<sup>207</sup> These are also infringements of U.K. copyright. However, this would most likely occur under the right of reproduction. The adaptation right does not provide a right to colorize films.<sup>208</sup> However, clearly large quantitative and qualitative copying has occurred, and as a result, a competitive relationship exists sufficient to infringe the right of reproduction.<sup>209</sup>

## 3. *Motion Picture Characters in Video Games*

The use of fictional characters in video games presents another derivative work right infringement.<sup>210</sup> Equally, this practice is likely to infringe the right of reproduction in the U.K. Complete reproduction of a character amounts to qualitative copying, much like taking the soliloquy from *Hamlet*. This would lead to a competitive relationship, as some would prefer to play the video game rather than spend the money watching the motion picture.

## 4. *Sequels and Prequels*

In recent years, some industries (such as the film industry)<sup>211</sup> have begun to rely heavily on sequels and prequels as a major source of

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206. See *UK Government Response to European Commission's Green Paper—Copyright in the Knowledge Economy* (Dec. 2008), <http://www.ipo.gov.uk/c-eupaper.pdf> (rejecting calls to create a user-generated content copyright exemption).

207. Copyright Registration for Colorized Versions of Black and White Motion Pictures, 52 Fed. Reg. 23443 (proposed June 11, 1987) (to be codified at 37 C.F.R. pt. 202).

208. Copyright, Designs, and Patents Act, 1988, c. 48, § 21(3) (U.K.).

209. See Robyn Durie, *Colourisation of Films*, 10 EUR. INTEL. PROP. REV. 37 (1988); Claudia Roggero, *Colourisation and the Right to Preserve the Integrity of a Film: A Comparative Study Between Civil and Common Law*, 22 ENT. L. REV. 25 (2011).

210. Samuelson, *supra* note 11, at Table 2, "Matrix of What Are and Are Not Potentially Infringing Derivative Works."

211. See, e.g., CAROLYN JESS-COOKE, *FILM SEQUELS: THEORY AND PRACTICE FROM HOLLYWOOD TO BOLLYWOOD* (Edinburgh University Press 2009).

revenue.<sup>212</sup> These fall under the right to prepare derivative works in U.S. copyright.<sup>213</sup> In the U.K., often these do not fall under the adaptation right. An audio–visual work does not receive any express ability to create sequels or prequels. However, they are routinely licensed because doing otherwise would infringe the right of reproduction. These works copy significant expression (e.g. plots, characters, themes) and potentially substitute for the original work. For example, a substantial number of people would prefer to buy a copy of Peter Jackson’s movie, *The Hobbit*, rather than the *Lord of the Rings* trilogy if the former was substantially cheaper than the latter.

### III. RULES VERSUS STANDARDS AND THE DERIVATIVE WORK RIGHT

The fact that the U.S. derivative works right is broader than the U.K. adaptation right is not in itself normatively problematic. Before we draw any conclusions about which country has created better law, we must first assess the two countries’ doctrines in the light of copyright’s utilitarian purposes. This part demonstrates that the U.K. rule-based approach is better at achieving copyright’s economic goals. This part shall first provide an introduction to the economics of rules and standards and then proceed to apply the insights from this literature to the issue of derivative works. Doing so demonstrates that the U.S. standard-based approach results in law that is substantively too broad and procedurally too costly.

#### A. The Economics of Rules and Standards

The difference between rules and standards is one of precision. Rules are highly precise legal commands, e.g., you must drive below seventy mph. Standards are more imprecise, e.g., you must not drive “dangerously.” Standards allow the court more discretion to determine what conduct is unlawful. In the driving example, the court following the rule can only consult the defendant’s speed to determine the legality of his action. Under the standard, the court can take into account various other factors, e.g., weather conditions, road surface, and volume of traffic.

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212. The Harry Potter franchise is a good example of this. The final movie in the series, *Harry Potter and the Deathly Hallows: Part II*, is currently the fourth-highest grossing film of all time. See Box Office Mojo, *All Time Box Office Worldwide Grosses*, <http://www.boxofficemojo.com/alltime/world/> (last visited Oct. 17, 2013). Meanwhile, *Iron Man 3* lies in fifth place. See *id.*

213. See, e.g., Abramowicz, *supra* note 9, at 318, 326 (stating that sequels are within the right); Samuelson, *supra* note 11.

This distinction in precision results in a number of different economic consequences for the legal system.<sup>214</sup> Depending on the nature of the conduct that is regulated, sometimes standards will lead to the most efficient regulation, and other times rules will. In order to determine which type of legal promulgation will be more efficient, a legislature ought to consider two issues: what type of law will produce more efficient substantive law and what type of law will be procedurally the least costly to create and apply.

### 1. *Substantive Efficiency*

Firstly, the lawmaker must determine whether rules or standards lead to more efficient substantive law outcomes. Substantively efficient legal outcomes require an absence of over- and under-inclusivity in the law. Over-inclusivity occurs when the law penalizes action that is efficient. Under-inclusivity occurs when the law permits inefficient action. Standards and rules both might lead to over- and under-inclusion.<sup>215</sup>

To see how a rule might lead to over- and under-inclusion, imagine a legislature promulgates a rule that all people ought to drive less than seventy miles per hour. In some cases, this will lead to over-inclusion. Sometimes it will be efficient to drive at ninety (perhaps it is a straight, empty road on a clear day, and the driver must get to a socially important engagement quickly), but driving at this speed will result in liability. On the other hand, the rule may also be under-inclusive. Sometimes driving at seventy will be dangerous (perhaps the weather conditions are bad and traffic is heavy). In such cases, driving at seventy miles per hour inefficiently increases the risk of accidents, yet the law does not penalize the conduct.<sup>216</sup>

On the other hand, a standard may also lead to over- and under-inclusion.<sup>217</sup> For example, currently extensive rules and regulations are employed to regulate the disposal of hazardous materials.<sup>218</sup> This could be replaced with a standard that all people ought to dispose hazardous material “safely.” It seems highly probable that the law will become over- and under-inclusive in this scenario. Imagine that someone appears before the court accused of disposing the material in an unsafe fashion. In order to determine what is “safe” in this context, the court would be required to conduct extensive research regarding the properties of the material in question and the long-term effects the

214. See, e.g., Ehrlich & Posner, *supra* note 16; Colin S. Diver, *The Optimal Precision of Administrative Rules*, 93 YALE L.J. 65 (1983); Louis Kaplow, *Rules Versus Standards: An Economic Analysis*, 42 DUKE L.J. 557 (1992).

215. Diver, *supra* note 214, at 73; Ehrlich & Posner, *supra* note 16, at 268.

216. See Diver, *supra* note 214, at 73.

217. *Id.*

218. 40 C.F.R. §§ 260–282 (2012).

material has on the environment and people around it. The complex nature of this task increases the possibility for judicial error. As a result, it is probable that the court will incorrectly determine what is safe in the case before it. The consequence is that some efficient action will be penalized and some inefficient action will be permitted. In cases such as this (and other complex issues such as the tax code), courts are not institutionally capable of determining what action is efficient. The legislature, which has greater fact-finding and social-planning powers, investigates the matter and sets detailed, precise, and efficient rules for courts to apply.

## 2. *Procedural Efficiency*

The first issue to consider is whether rules or standards will reduce the potential for inefficient over- and under-inclusivity in the law. But this is not the only factor in the analysis. The legislature must also take into account the costs of creating and applying the law. Sometimes optimally structured substantive law may prove too costly for society. For example, the optimal regulation may involve highly complex rules, but this may cost the legislature too much to design. In which case, a vaguer, easier-to-design standard may be the cheapest option overall. On the other hand, adopting a broad standard might be optimal, but applying this standard may take up so much of the judiciary's resources that rules are in fact preferable. These cases involve making a tradeoff between the benefits of optimal substantive law and the procedural costs of using that law. Assessing the procedural cost requires one to estimate the cost of creating the law and the cost of applying it thereafter.<sup>219</sup>

Rules are usually more expensive to create than standards.<sup>220</sup> To enact law, the legislature must first determine what actions are efficient. Doing so requires the legislature to undertake independent research, as well as consult with lawyers, economists, and those affected by the law. As the legislature seeks to make its law more precise, more time and effort must be spent in determining precisely what is efficient action. Rules therefore require more fact-finding than standards.

Rules also require more legislative resources to draft.<sup>221</sup> Because the statutory wording is determinative of case outcomes, the wording must be clear to avoid misinterpretations. Greater precision requires more time and effort ensuring the language chosen is correct. Greater precision also requires more negotiating time. Vague standards are often rather unobjectionable. More precise rules draw criticism. For

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219. Diver, *supra* note 214, at 73–74.

220. Ehrlich & Posner, *supra* note 16, at 267.

221. *Id.*

example, if the rule that people ought to drive under seventy miles per hour is suggested, some will argue this is too fast, and others will say it is too slow. But such disagreements are usually avoided if the law is drafted generally, for example, if the law states that people must refrain from driving “dangerously.”

Thereafter, one must then consider the costs of applying the law. On this factor, rules are preferable to standards. As rules are more precise, judges need spend less time deliberating on how they ought to be applied. This is also true for other people who must apply the law, such as police officers, administrative officials, and citizens who must interpret the law to determine whether their conduct is lawful. The vagueness inherent in standards makes the application procedure slower and more costly.<sup>222</sup>

The costs of creating and applying the laws pull in opposite directions. Rules are expensive to create but cheap to apply, while standards are cheap to create but costly to apply. Discovering which is cheapest is ultimately a complex empirical question. However, answering this question is also possible theoretically. In determining whether the combined cost of creating and applying the law is greater in rules or in standards, one must determine how frequently the law is applied. If the law is applied very frequently, then using rules is preferable. If the law is applied infrequently, then using standards is preferable.<sup>223</sup>

Rules are cheaper to apply than standards. Therefore, every time a rule is applied, a small savings is made (because the alternative would be to apply a more expensive standard). As the law is applied more often, the number of these little savings increases and accumulates. At some point, the savings that using rules provides in the application stage is going to be greater than the initial costs the legislature faces to create the law. Although the law initially requires high legislative costs to create, this cost will be outweighed by the benefits brought about by simple and quick application of the rule. On the other hand, this will not occur if the conduct is infrequent. If the conduct is infrequent, and the rules are not applied often, then the savings stemming from clearer rules will not be realized. In such cases, the high legislative costs will not be offset and the use of standards is preferable.

## **B. Rules and Standards in the Derivative Work Right**

We must now apply the insights from the economic literature on rules and standards to the differing approaches to derivative works.

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222. Ehrlich & Posner, *supra* note 16, at 265; see Diver, *supra* note 214, at 73–74.

223. Kaplow, *supra* note 214, at 563.

### 1. *Substantive Efficiency*

The U.S. law has become wildly over-inclusive in relation to its economic purpose. The U.K., by contrast has avoided this problem. To demonstrate this, we shall first define over- and under-inclusivity in this area, then demonstrate how the U.S. is more over-inclusive than the U.K., and finally demonstrate that the U.K.'s rule-based approach has not become correspondingly under-inclusive.

#### a. *Defining Over- and Under-Inclusivity*

This paper has already demonstrated how the U.S. and U.K. have struggled with over- and under-inclusivity at various points. For the purposes of this section, we need to define over- and under-inclusivity in more exact detail. In order to do this, we must more clearly relate the concepts of over- and under-inclusivity to copyright's economic goals.

Copyright is a tool for incentivizing authors to create new works. Works have a positive impact on the welfare of society, yet without copyright protection, it is arguable that the number of works created would decrease to a sub-optimal level. In order to create a copyrighted work, the author must spend a large amount of resources on fixed costs. If he cannot recover those fixed costs, he will not create the work. Copyright provides the author with market exclusivity, so that he can charge a price above the work's marginal cost, thus recovering the lost investment.<sup>224</sup>

On the other hand, copyright is not costless. Copyright produces static inefficiency. Some consumers will demand the work and also be willing to pay a price above marginal cost but will not be able to afford the work at the supra-competitive price. Welfare decreases as this demand goes unfulfilled. This is even more worrisome when one considers that these potential consumers may also be future creators. If someone wishes to transform or build on the previous work in order to create a new work, they must pay a license fee to the original owner. As the copyright becomes stronger, the first author's ability to set prices increases. But as the price of the license becomes higher, the ability of the second, later creator to pay for the work decreases. Increasing the scope of copyright right too broadly may increase the incentive to produce the original work, but it may short change future generations as the costs of creating subsequent works increase too far. And finally, there are enforcement costs to imposing this new regime.

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224. See, e.g., Robert M. Hurt & Robert M. Schuchman, *The Economic Rationale of Copyright*, 56 AM. ECON. REV. 421 (1966); Stephen Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 HARV. L. REV. 281 (1970); William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEGAL STUD. 325 (1989).

This is the now infamous incentive-access paradigm of copyright.<sup>225</sup> Greater rights for authors increase the incentive to produce new works but also generate economic costs. Copyright policy is therefore an attempt to balance these competing concerns. The balance is accomplished by narrowly tailoring the author's exclusive rights. Society provides the author with just enough market power to incentivize creation, but no further. In order to recover his fixed cost of investment, the author needs the ability to price the work above marginal cost. But once that criterion has been met, there is no need to increase the author's market power further. The ability to price the work far higher than marginal cost incurs the costs of copyright without any resulting benefit. Ideal copyright would therefore allow an author to charge a price just above marginal cost and no further.

Using this underlying goal of copyright, we can now more exactly define when copyright is over-inclusive or under-inclusive. Over-inclusion occurs when copyright allows the author to exclude works from the market that do not pose any feasible threat to his ability to price above marginal cost. Under-inclusion occurs when the copyright holder cannot exclude from the marketplace works that undercut his ability to price his work just above marginal cost.

#### *b. Over-Inclusivity*

The U.S. law gives the author exclusivity over works that pose no credible threat to his underlying incentives. The forgoing discussion in Part II.C provides a wealth of examples of such excessive breadth. Consider the issue of mounting presented by the *Mirage Editions* case.<sup>226</sup> The court found that a derivative work was created when the defendant affixed a legitimately acquired work to a ceramic tile and resold it to the public. Notably, however, for every tile he created, the defendant had to buy a unit of the copyrighted work. Therefore, for every unit that the defendant sold, the original copyright holder was compensated at the price the right holder set. The defendant's subsequent actions, therefore, presented no threat to the author's ability to price supra-competitively.

Other examples of this point can be found in the *Castle Rock*<sup>227</sup> and *Bridgeport*<sup>228</sup> cases. These cases concerned the issue of the *Seinfeld* trivia quiz book and the minimal sampling of sound recordings. In neither case is it likely that the copying in question would lead consumers to prefer the adaptation to the original. *Seinfeld* fans will not refuse to buy *Seinfeld* because they can read five percent of the work in a trivia quiz book. Similarly, consumers are unlikely to

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225. Lunney, *supra* note 7 (discussing the incentive-access paradigm).

226. *Mirage Editions, Inc. v. Albuquerque Co.*, 856 F.2d 1341 (9th Cir. 1988).

227. *Castle Rock Entm't v. Carol Publ'g Group, Inc.*, 150 F.3d 132 (2d Cir. 1998).

228. *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005).



purchase one sound recording rather than another, merely on the grounds that the former recording contains an unlicensed two-second sample appropriated from the latter. The fact that they are not substitutes makes market harm highly unlikely.

Furthermore, other examples demonstrate not only the absence of market harm but in fact suggest the derivative works right encompasses certain activities that are actually beneficial to the original copyright holder's profit. Take the video game cartridge in *Midway*<sup>229</sup> or the cassette tapes in *Worlds of Wonder*.<sup>230</sup> In order for the customer to get any utility from these products, he must first buy the plaintiff's product. That is, in order to use the video game cartridge in *Midway*, the consumer must first buy the plaintiff's original video game. And to use the cassette tapes in *Worlds of Wonder*, the consumer must also buy the plaintiff's original Teddy Ruxpin bear. These are examples of complementary works, as opposed to substitutes. Their availability in the market does not harm demand for the original good but actually increases it. For example, some people would be likely to buy the Teddy Ruxpin bear, given that they could also buy additional cassette tapes elsewhere. Therefore the demand for the original work increases. Two noted scholars have already said that these complementary works should be outside the scope of the derivative works right.<sup>231</sup>

In all of these instances, the U.S. derivative works right is over-inclusive. Congress introduced the derivative work right to produce flexibility, but this has subsequently proved problematic for the judiciary. The lack of natural boundaries on the concept of derivative works has resulted in the courts finding infringement in almost any case where a second comer builds upon a copyrighted work. By contrast, the U.K. has avoided this over-inclusion. These novel adaptation types do not fall within the right to make adaptations, nor do they infringe the right of reproduction because they do not create an incentive-harming competitive relationship with the author's work.

What is more, these cases would also probably not infringe the U.S. right of reproduction. Because they do not reproduce expression leading to a competitive relationship, it is unlikely that they would be considered substantially similar for the purposes of the reproduction right. The over-inclusivity found in U.S. law, therefore, directly stems from the broad, expansive, derivative work right.

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229. *Midway Mfg. Co. v. Artic Int'l., Inc.*, 704 F.2d 1009 (7th Cir. 1983).

230. See cases cited *supra* note 6.

231. See sources cited *supra* note 8.

*c. Under-Inclusivity*

The U.K. approach is better at reducing excessive over-inclusion regarding derivative works. One may then wonder whether it has caused an alternative problem, i.e. under-inclusivity. That was the experience of the U.S. under the 1909 Act: the law was written in a rigid fashion and thus was unable to deal with emerging technologies. However, the U.K. has avoided this problem by combining a rules-based approach to the right to make adaptations with flexibility in the right to make reproductions. When an adaptation does threaten the author's ability to price supra-competitively, this will routinely infringe the right of reproduction. That is the experience born from remix culture, colorization of motion pictures, using characters from motion pictures in video games, sequels, and prequels.<sup>232</sup> In any of these cases, a possibility exists that the adaptation will harm the author's incentives. Accordingly, they are in a competitive relationship with the author's work and infringe the right of reproduction.

The U.K. doctrine therefore reveals that the rules-based approach to derivative works, when combined with some flexibility in the right of reproduction, is no less under-inclusive than the approach favored in the U.S. This, as demonstrated in Part I, was precisely the intention of the U.K. Parliament. It seems the U.K.'s attempt to secure a clear adaptation right, while retaining flexibility to deal with new technology through the right of reproduction, was the preferable route to producing efficient substantive law regarding derivative works. The problem for the U.S. 1909 Act was not that its provision on derivative works was rule-based and inflexible. The problem was that the derivative work provision was rule-based, and there was no back-up flexibility elsewhere.

*2. Procedural Efficiency*

That the U.K. rule-based approach has produced substantively better law is, however, only the first step in our analysis. We must consider the global effects the decision to employ rules has on the copyright system. This requires consideration of whether rules or standards are cheaper to create and apply.

There is a strong case that regulating derivative works with rules is cheaper than using a standard. One can expect that the U.K. rule-based approach will cost more for the legislature to create but will cost less for the judiciary, administrative officials, and citizens to apply. One can equally expect the opposite to be true of the U.S. standard-based approach. This will cost little to create but more to apply. Therefore, the crucial question is how frequently will the laws on derivative works be applied?

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232. See *supra* Part II.D.

The answer to this is quite clear. The laws on derivative works will be applied very frequently. This Article has covered the history of the derivative work right throughout Anglo-American copyright. From this overview, one can glean how derivative works have caused courts problems from the very birth of copyright all the way to today. This concept is so problematic for the legal regime because no artist creates in a vacuum. All artistic creation is in some way derivative. Every author takes inspiration from authors of the past and, as a result, stands on the shoulders of giants. That all artists necessarily build on the works preceding them suggests that the laws governing derivative works will be applied with great frequency. Therefore, given the high amount of application, it is beneficial for the legislature to engage in detailed *ex ante* rule making. Therefore, not only is the U.K. approach substantively more efficient, it is also procedurally more efficient to create and apply.

#### IV. POTENTIAL SOLUTIONS

Given that the U.S. approach has resulted in inefficient law, what potential solutions are available? Three possibilities are discussed here: expansion of fair use, creating guidelines for courts on how to interpret the derivative work right, and finally a adopting a rule-based approach via a statutory amendment. All three have their merits, but this Article ultimately favors the statutory amendment approach.

##### A. Expansion of Fair Use

One potential is to keep the derivative work right unaltered and use of the fair-use doctrine to limit any over-inclusion. Fair use does in many cases already operate this way.<sup>233</sup> In certain instances, the doctrine does provide a flexible tool, capable of sorting harmful derivative works from publicly desirable derivative works. Take, for example, the *Suntrust Bank v. Houghton Mifflin Co.*<sup>234</sup> The case concerned a work called *The Wind Done Gone*, by Alice Randall. This novel retold Margaret Mitchell's popular novel, *Gone With the Wind*, from the perspective of the black slaves. Mitchell claimed copyright infringement, and Randall claimed fair use. The court agreed with Randall that this was a fair use. The work provided a criticism of slavery that made the work sufficiently transformative to avoid infringement. Economic efficiency was well served by this decision. These works were highly different in their purpose and character. It was therefore unlikely that consumers of Mitchell's work would instead buy Randall's work. Allowing Mitchell to control *The Wind Done Gone* would

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233. See 17 U.S.C. § 107 (2006).

234. 252 F.3d 1165 (11th Cir. 2001).

have given her an excessively broad right, capable of excluding from the market a potentially welfare-enhancing work that posed little threat to her ability to price supra-competitively.

Sadly, fair use does not operate this way in all instances. Fair use provided no defense in the cases discussed in Part II.C. Various factors may have contributed to this. Some have claimed fair use is too unpredictable,<sup>235</sup> and others have claimed that fair use is too expensive to litigate.<sup>236</sup> Further still, some point to defects in the language of fair use itself. The statute says that a work will more likely be fair use if it does not harm the “potential market” for the original work. If the court construes “potential market” to include licensing markets, then various forms of derivative works will not count as fair use.<sup>237</sup> All of the derivative works discussed in Part II.C could be licensed and, therefore, could all harm a licensing market if they were freely produced.

Nevertheless, fair use may be expanded to prevent such over-inclusivity. Mark Lemley provides one such suggestion, in which fair use is altered so that people who radically alter the original work will benefit from its protection.<sup>238</sup> Indeed, the courts’ growing reliance on the transformative use doctrine does provide more and more protection for the creators of derivative works.<sup>239</sup>

However, this Article expresses some reservation about relying on fair use as the sole limit on the derivative work right’s over-inclusion. Not only has it failed to prevent over-inclusivity in the past, but it is also a standard-based approach to the issue. Fair use is vague and imprecise. It is therefore difficult and costly to apply. As the previous section determined, relying on such standards is inefficient where the law is applied very frequently. While expanding fair use may limit the over-inclusion in the existing law, its standard nature would make it more costly to apply than enacting narrowly tailored rules that legislatively determine the scope of the right.

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235. See, e.g., LAWRENCE LESSIG, *FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY* 187 (Penguin Press 2004) (fair use’s unpredictability makes it into merely “the right to hire a lawyer”). However, others have different views on the predictability of fair use. See Pamela Samuelson, *Unbundling Fair Uses*, 77 *FORDHAM L. REV.* 2537 (2009); Matthew Sag, *Predicting Fair Use*, 73 *OHIO ST. L.J.* 47 (2012).

236. Some have suggested shifting attorneys’ fees in fair-use litigation. See Peter Menell & Ben Depoorter, *Copyright Fee Shifting: A Proposal to Promote Fair Use and Fair Licensing*, *CAL. L. REV.* (forthcoming 2013).

237. However, this view is often critiqued. See, e.g., Matthew Africa, *The Misuse of Licensing Evidence in Fair Use Analysis: New Technologies, New Markets, and the Courts*, 88 *CAL. L. REV.* 1145 (2000).

238. Lemley, *supra* note 14, at 1077–83.

239. See, e.g., Neil Weinstock Netanel, *Making Sense of Fair Use*, 15 *LEWIS & CLARK L. REV.* 715 (2011).

## B. Derivative Work Guidelines

There is nothing inherent within the current U.S. derivative work right that compels courts to apply the law so broadly. Although Congress wanted broad statutory language, it did so because that would lead to flexibility. Because the derivative work right is an imprecise standard, courts do have some ability to shape their interpretation of the derivative work right in the future. It is possible that guidelines could be developed to show courts how to resolve derivative works cases in a more restricted, economically efficient way.

Professor Samuelson notes that the derivative work provision is not completely open-ended.<sup>240</sup> The definition of derivative work includes nine enumerated examples (“translations, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation”) before going on to say that the right also includes any other form of adaptation. Congress must have inserted these examples for a reason. Professor Samuelson therefore makes the case that the only types of derivative works that ought to fall within the “any other form” language are those that are analogous to the current nine examples.

Samuelson’s approach would provide a substantial step forward. Focusing on the nine examples would make the derivative work right more precise and rule-based than it currently is. As a result, it would cut down the current over-inclusivity and better serve the utilitarian purpose at the heart of copyright. And given the extensive time enacting copyright legislation often takes, this would be an appropriate solution in the short term, before Congress has the opportunity to enact a new statute.

## C. Statutory Amendment

However, in the long run, a statutory amendment adopting a rule-based approach is still preferable. Although a sounder interpretation of the existing law is desirable, there is little guarantee that courts will maintain this sound interpretation over a long duration of time. The experience demonstrated by the U.K. gramophone case, and the U.S. derivative work right post-1976, is that, frequently, general wording can be misinterpreted. Even if well-drafted guidelines are put in place today, there is a serious risk they will be forgotten in the future when the judiciary’s mind is concerned with new technologies. On the other hand, incorporating rules into the statute provides a serious barrier to over-inclusive law in the future.

The exact wording of the right is still a matter for Congress to decide. Enacting rule-based law does not mean the U.S. must adopt ex-

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240. Samuelson, *supra* note 11.

actly the same rules as the U.K. The superior fact-finding powers of Congress should be used to empirically test which types of derivative works are likely to harm a copyright holder's incentives. Those which do harm an author's ability to price supra-competitively ought to be listed as potentially infringing derivative works. Given the current interest in copyright reform, and the potential for new legislation, now is the appropriate time for Congress to undertake that task.

Until empirical research can be undertaken to determine what types of derivative works cause harm to an author's incentives, Congress ought to transform its current law from a standard-based approach to a precise, rule-based approach. To do this, the "any other form" language must be removed. Additionally, the list of derivative work examples ought to become an exhaustive, not merely illustrative, list. As a result, the definition of a derivative work would be: "a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, or condensation." When novel derivative works potentially threaten the author's market, courts should ask whether the new work copies so much expression that it potentially serves as an economic substitute for the plaintiff's work and, therefore, whether it infringes the existing right of reproduction.

## V. CONCLUSIONS

After the Copyright Act 1976 came into force, it only took a few years before scholars began to raise doubts about the derivative work right. Ralph Brown presciently analogized the law to the falcon's gyre in Yeats's poem, *The Second Coming*.<sup>241</sup> The poem describes a falcon flying around a falconer. Ideally, the falcon revolves around the falconer in a contained circular motion, never losing sight of its master. However, as the poem's falcon gets higher, it can no longer hear the falconer's calls. The bird's flight path widens and widens. Eventually when the falcon gets too high, the relationship between falcon and falconer breaks down completely, and the falcon becomes totally uncontrolled. Today the U.S. derivative work right is just as uncontrolled as the falcon. The decision to use broad, open-ended language resulted in a derivative work concept without any constraints. The lack of an upper limit on the concept has allowed courts to find infringement almost any time the author's work is reused (as demonstrated by egregious cases like *Midway* and *Mirage*). The fair-use doctrine does provide a limit on this right, but one does not need to look hard to find cases where fair use has not adequately performed that role. As a re-

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241. Brown, *supra* note 7, at 1.

sult, Brown's worries live on as numerous scholars suggest ways to reform the law.<sup>242</sup>

Precise, rule-based copyright also has clear problems. The 1909 Act could not keep pace with new technology. However, the U.S. reaction to the under-inclusivity of this law was excessive. Clearly some flexibility needed to be introduced, but the response of removing all precision and limits from the derivative work rights was too extreme. The U.K. approach was more measured. Rather than abandon all precision, the U.K. kept the adaptation right narrow. The legislation puts clear limits on what could qualify as an infringing adaptation. To continue Brown's metaphor, the falcon's wings were clipped by the U.K. An upper limit was created to prevent the falcon's gyre from becoming too wide-reaching and uncontrolled. As a result, the law has not become excessively broad and costly, like U.S. law has. Whereas anxiety pervades discussion surrounding the ever-expanding U.S. derivative work right, there is remarkably little concern in the U.K. about the adaptation right. The U.S. would therefore be well-advised to adopt a rule-based approach to the derivative work right in any future copyright revision.

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242. Lemley, *supra* note 14.